Exhibit Q

From: Linda Menzel <linda.menzel@lootcrate.com>
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Subject: Notice of Board Meeting
Date: Thu, 21 Jun 2018 10:18:50 -0700
Importance: Normal
Attachments: Carta_loot-crate-inc_2017-12-31_valuation_issued_2018-06-07_watermarked.pdf; South_River_Capital_Term_Sheet.pdf; 11817702_Loot_Crate_Resolutions_(Comp_Committee_Term_Sheet_Valuation)-v3_(1).docx; Loot_Crate_Board_Call_(5-24).docx; Minutes_-_Loot_Crate_6-13.docx

Hello everyone,

We would like to schedule a special Board meeting for tomorrow, June 22, 2018, at 11:00 a.m. PST (2:00 p.m. ET). The agenda includes:

* Approval of prior meeting minutes
* South River Term Sheet
* Establishment of Compensation Committee
* 409A valuationr

Please see attached materials. We will circulate a calendar invite today. Thank you.

Best,
Linda
--
Linda K. Menzel
Loot Crate, Inc. | General Counsel | C: (310) 867-3859
3401 Pasadena Avenue, Los Angeles, CA 90031

UFV-004666

Proposed Resolutions for Loot Crate Parent, Inc. Meeting of Board of Directors

June 21, 2018

VALUATION REPORT

WHEREAS, Loot Crate Parent, Inc., a Delaware corporation (the "***Company***"), has engaged Carta Valuations LLC ("***Carta***"), an outside valuation firm with experience and expertise in acting as a qualified independent appraiser for purposes of the regulations promulgated under Section 409A of the Internal Revenue Code of 1986, as amended, and requested that such outside valuation firm provide an appraisal of the fair market value of the Company's Common Stock as of December 31, 2017;

WHEREAS, the Board of Directors of the Company (the "***Board***") has reviewed the valuation report prepared by Carta, dated May 9, 2018 (the "***Valuation Report***"); and

WHEREAS, the Valuation Report concludes that the fair market value of the Company's Common Stock as of December 31, 2016 is $5.66 per share.

NOW, THEREFORE, BE IT:

RESOLVED, that the Board hereby approves the Valuation Report and finds that the analysis set forth therein and the conclusion reached regarding the valuation of the Company's Common Stock to be reasonable and in good faith, and hereby determines that the fair market value of the Company's Common Stock as of December 31, 2017 and the date hereof is $5.66 per share.

NOTE AND WARRANT OFFERING

WHEREAS, the Company is required to raise at least $3,500,000 in the form of subordinated convertible notes as a condition to the refinancing contemplated by that certain non-binding letter of intent with Atalaya Capital Management LP;

WHEREAS, pursuant to that certain Forbearance Agreement #2 and Waiver to Loan and Security Agreement, dated as of May 4, 2018, the Company is required to raise no less than $3,000,000, within sixty (60) days after the Effective Date thereof (as defined in such agreement);

WHEREAS, South River Capital, LLC (the "***South River***") has proposed to invest up to $3,680,000 in the Company, in exchange for, among other things, convertible debt securities of the Company, in an offering intended to be exempt from registration under the Securities Act of 1933, as amended (the "***Securities Act***"), under Regulation D of the Securities Act, substantially on the terms set forth in the non-binding term sheet, dated as of June 18, 2018 (the "***Term Sheet***"), a copy of which has previously been provided to the Board;

WHEREAS, the Company intends to, and the Term Sheet contemplates that the Company may, offer for sale and sell additional convertible debt securities and warrants of the Company to "accredited investors" (as such persons are defined under Regulation D of the Securities Act) and

certain other investors acceptable to the Company (collectively, the "***Additional Investors***"), in accordance with the requirements of Regulation D of the Securities Act;

WHEREAS, the Board has reviewed the Term Sheet and discussed in detail the merits and risks of the proposed Term Sheet; and

WHEREAS, it is deemed to be of a business benefit to, and in the best interests of, the Company and its stockholders for the Company to issue convertible debt securities and warrants to South River and the Additional Investors and to undertake certain other transactions in connection therewith.

NOW, THEREFORE, BE IT:

RESOLVED, that the offer, sale and issuance by the Company of up to $6,700,000 aggregate principal amount of convertible debt securities and warrants to South River and the Additional Investors be, and the same hereby are, approved.

RESOLVED, that the form, terms and provisions of the Term Sheet be, and the same hereby are, ratified, authorized and approved, subject to approval of the Company's seniou lender and subject to the Board's approval of the definitive agreements and documents ancillary thereto.

RESOLVED, that the officers of the Company (each, an "***Authorized Officer***") be, and each of them individually hereby is, authorized, empowered and directed, for and on behalf of the Company, to negotiate definitive documents consistent with the Term Sheet and present to the Board for further approval any agreements, amendments, documents or arrangements which may require Board approval in order to effect the transactions contemplated by the Term Sheet.

CONSTITUTION OF COMPENSATION COMMITTEE

WHEREAS, the Board deems it advisable and in the best interest of the Company to establish a compensation committee to advise the Board on matters related to the compensation of employees of the Company.

NOW, THEREFORE, BE IT:

RESOLVED, that a committee of the Board (the "***Compensation Committee***") be, and it hereby is, constituted and established to advise the Board on matters related to the compensation of employees of the Company.

RESOLVED, that Alex Zyngier and Osman Kahn be, and hereby are, appointed as the members of the Compensation Committee, to hold such position at the pleasure of the Board until the annual meeting of the Board following the next annual meeting of the stockholders of the Company and until their respective successors are appointed and qualified or until their earlier death, disqualification, resignation or removal.

RESOLVED, that the Compensation Committee be, and hereby is, authorized, at the expense of the Company, to engage and retain the services of independent advisors as the

Compensation Committee shall deem necessary or desirable to advise and assist it.

RESOLVED, that the Compensation Committee be, and hereby is, authorized, pursuant to these resolutions, to make rules for the conduct of its business, including with respect to its meetings, records and reports to the Board, and shall not be subject to the Board's power to abolish or rescind the actions of the Compensation Committee or any of its members that are consistent with these resolutions.

RESOLVED, that, in performing their duties, the members of the Compensation Committee are each acting in their capacity as a director of the Company and thus shall be entitled to indemnification for any and all actions performed in connection with their services on the Compensation Committee, as provided to the Company's directors now or in the future by the Company's certificate of incorporation, its bylaws or any agreement between the Company and such director providing for indemnification.

OMNIBUS RESOLUTIONS

RESOLVED, that the Authorized Officers be, and each of them individually hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to take all such further action, and to execute and deliver all such agreements, certificates, consents, instruments and documents and to prepare or cause to be prepared, execute and file or cause to be filed with any regulatory agencies any forms, reports, filings, applications or other documents, and to make all expenditures and incur all expenses which such Authorized Officer, in his or her discretion deems necessary, desirable or appropriate to carry out fully the foregoing resolutions and the purposes and intents thereof, and the taking of any such action or the execution by an Authorized Officer of any of the foregoing or the payment of any such expenditures in connection with the foregoing matters shall conclusively establish authority therefor from the Company and the approval and ratification by the Company of the actions so taken, agreements or other documents so executed, the expenses or expenditures so paid.

RESOLVED FURTHER, that any actions taken prior to the date of the foregoing resolutions by the persons elected as the officers of the Company that are within the authority conferred thereby are hereby ratified, confirmed and approved as the acts and deeds of the Company.

carta

Common stock valuation for

Loot Crate, Inc.

Valuation date Dec. 31, 2017

Prepared by Carta Valuations LLC on June 7, 2018

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Christopher Davis

Chief Executive Officer

LOOT CRATE, INC.

3401 Pasadena Ave Los Angeles, CA 90031

June 7, 2018

This report details the valuation analysis of fair market value of the common equity of Loot Crate, Inc. ("Loot Crate, Inc." or "Company") on a per share basis ("Subject Interest") as of Dec. 31, 2017 ("Valuation Date"). It is understood that the valuation of the Subject Interest, as developed in this report, will be used for tax planning and financial reporting purposes in conjunction with Section 409A regulations of the Internal Revenue Code ("IRC") as well as Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 – Compensation. We have not been engaged to make any purchase or sale recommendations associated with the Company. As such, this report should not be used for any other purpose.

SCOPE OF ENGAGEMENT

Consistent with Revenue Ruling 59-60 and standard practice, the following factors have also been analyzed and accorded due weight, where applicable:

- The nature and history of the entity's business;
- The general economic conditions and specific industry outlook;
- The book value of the entity and its financial condition;
- The earning capacity of the entity;
- The entity's distribution history and capacity;
- The existence of goodwill or other intangible value within the business;
- Prior interest sales and the size of the interest being valued;
- The market price of companies engaged in the same or a similar line of business having their equity securities actively traded in a free and open market.

We considered differences between the Company's preferred and common shares with respect to liquidation preferences, conversion rights, voting rights, and other features. We also considered appropriate adjustments to recognize lack of marketability related to the Subject Interest.

CONCLUSIONS

Based on the information provided and the analysis conducted, and subject to the attached Statement of Limiting Conditions, it is our opinion that the value of Loot Crate, Inc.'s common stock as of the Valuation Date is as follows:

Common Stock of Loot Crate, Inc.: **$5.10**

Carta Valuations LLC's fee for this service is not contingent upon the results of the Valuation expressed herein. This Valuation is subject to the terms and conditions of the master subscription agreement between eShares, Inc. (an affiliate of Carta Valuations LLC) and Loot Crate, Inc. executed on Jan. 17, 2018.

VALUATION SUMMARY

Company value

Approach	Value	Weighting
Market approach (guideline public company method)	$103,480,236.75	50.00%
Income approach (discounted cash flow method)	$104,869,873.45	50.00%
Concluded value	**$104,175,055.10**	**100.00%**

Common stock value

Inputs	Conclusion
Allocation methodology	Option pricing model
Fully marketable value	$6.80
Discount for lack of marketability	25.00%
Concluded fair market value	**$5.10**

COMPANY OVERVIEW

Company summary

Loot Crate, Inc. curates and markets themed mystery boxes, containing collectibles, apparel, gadgets, art, and other epic gear from various entertainment and consumer product companies. It offers monthly subscription services for geeks, gamers, and pop culture lovers. The Company was founded in 2012 and is based in Los Angeles, California.

Company update

Since the previous valuation, the Company experienced a decline in revenue growth year-over-over, missing its projections which targeted flat growth. Management attributed the revenue contraction to slowing subscription growth, delayed market traction with several new product lines, and less than expected marketing expenditure. Additionally, the Company trimmed headcount and other areas of operational expenditure in order to reign in its bottom line. Going forward, the Company is focused on profitability and sustainable growth. The Company projects relatively flat revenue growth in the coming year, with continued improvement in its bottom line, and expects more robust growth in 2019 when its expected product releases have had adequate time to develop market traction.

Financing

As of the Valuation Date, Management indicated that the Company may look to raise a small amount of additional debt in the first half of the year in order to provide some additional cushion and working capital. Additionally, Management indicated that the Company may seek future equity financing for growth in the next year. Given that the Company had no offers for investment as of the Valuation Date, potential future financings were not incorporated into this analysis.

Risks

- **Economic risk:** The Company's primary revenue streams are derived from consumer discretionary products and services. Contraction in the macroeconomy may disrupt the Company's ability to achieve future growth, and may impact its financial health.
- **Execution risk:** The Company is continually launching new product lines and expanding to new markets. Lack of effective execution, particularly in sales and marketing, has the ability to negatively impact forecast achievement for both revenue and earnings.

INCOME STATEMENT

Income statement

	FY 2015	FY 2016	FY 2017
Total Revenues	116,025,796	163,111,183	145,886,654
Cost of Revenues:	92,623,638	129,656,285	103,635,675
Gross Profit	23,402,158	33,454,898	42,250,979
Gross Margin %	20.17%	20.51%	28.96%
Operating Expenses			
Payroll and Related Costs	11,841,623	26,172,078	24,987,219
Selling and Marketing Costs	15,648,373	31,145,804	16,304,134
Technology Costs	1,945,911	2,512,181	2,704,528
Professional and Contractor Costs	1,279,425	3,944,526	4,081,072
Depreciation and Amortization	206,789	404,004	452,499
Share Based Compensation	2,741,064	1,424,167	1,463,727
Other OPEX	4,109,793	6,173,260	4,706,803
Total Operating Expenses	37,772,980	71,776,019	54,699,981
Income (Loss) From Operations	(14,370,821)	(38,321,122)	(12,449,001)
Net Income (Loss)	(14,378,167)	(40,263,935)	(15,400,116)

Financial forecast

Metric	2018	2019
Revenue	$135,857,533	$170,651,694
EBITDA	$3,526,522	$18,808,575

Historical and projected financial statements were provided by the Company.

BALANCE SHEET

	12/31/2015	12/31/2016	12/31/2017
Cash and Cash Equivalents	$3,204,000	$10,708,198	$1,587,087
Accounts Receivable	$672,000	$1,049,072	$1,785,630
Inventories	$11,588,000	$13,395,488	$13,387,187
Merchandise Deposits	$3,847,000	$1,859,687	$1,493,440
Other Current Asset	$994,000	$2,137,829	$3,705,711
Total Current Assets	$20,305,000	$29,150,273	$21,959,056
Fixed Assets, Net	$1,342,000	$1,442,860	$1,035,940
Other Assets	$311,000	$1,818,100	$1,277,691
Long Term Assets	$1,653,000	$3,260,961	$2,313,631
Total Assets	$21,958,000	$32,411,233	$24,272,686
Trade Accounts Payable	$12,567,000	$21,268,438	$22,645,643
Accrued Expenses	$4,047,000	$6,160,538	$2,677,119
Deferred Revenue	$16,001,000	$19,862,988	$27,474,391
Other Current Liabilities	$1,396,000	$1,881,400	$988,689
Total Current Liabilities	$34,011,000	$49,173,365	$53,785,842
Long Term Loan	$0	$15,000,000	$14,625,000
Other Long Term Liabilities	$113,000	$17,217	$17,217
Total Liabilities	$34,124,000	$64,190,582	$68,428,059
Total Equity	$(12,166,000)	$(31,779,348)	$(44,097,501)
Total Liabilites & Equity	$21,958,000	$32,411,233	$24,272,686

Historical financial statements were provided by the Company. Cash and cash equivalents shown are as of the Valuation Date.

CAPITALIZATION

Share classes

Outstanding shares	Shares outstanding	Warrants	Options	Total
Series A Preferred	1,626,683	0	0	1,626,683
Series A-1 Preferred	852,703	0	0	852,703
Common	8,399,219	192,461	1,917,262	10,508,942

Liquidation preferences

Share class	Liquidation rank	Issue price	Multiplier	Dividend type	Dividend rate	Participation Y/N	Participation cap	Conversion ratio
Series A Preferred	1	$11.43	1.00	Non-Cumulative	N/M	N	N/A	1.00
Series A-1 Preferred	1	$0.12	1.00	Non-Cumulative	N/M	N	N/A	1.00
Common	2	$0.00	1.00	N/A	N/A	N/A	N/A	1.00

Convertible debt and equity

Type	Valuation cap	Principal	Interest rate	Maturity date
Convertible note	None	$500,000.00	4.00%	Jul 25, 2018

Lowest number liquidation preference is paid out first.

VALUATION METHODOLOGY SUMMARY

Selected valuation approaches

The first step in valuing the Company's common shares was to determine the value of the Company. In arriving at a conclusion of the Company value, we considered the methodologies below:

Market approach: Subject company transaction method

This methodology consists of examining prior transactions of the subject Company. According to the AICPA guidelines, recent securities transactions should be considered as a relevant input for computing the enterprise valuation.

Given that there were no securities transactions recent to the Valuation Date, the Subject Company Transactions Method was not used.

Market approach: Guideline public company method

This methodology focuses on comparing the subject entity to publicly traded entities. While there may be differences in the selected guideline companies relative to the subject Company in terms of size, profitability, and other key operating metrics, the GPC approach captures market-derived prices from operationally similar companies. To account for potential value implications arising from differences between the Company and guideline companies, multiples at the high, median, or low end of the derived range can be methodically selected. As such, we applied an 50.00% weight to the value derived from the GPC Method. Detailed discussion and information about this approach can be found in the exhibits and appendix.

Market approach: Guideline M&A transaction method

This approach uses valuation multiples based on actual transactions that have occurred in the subject entity's industry. Given the lack of sufficiently comparable M&A transactions, we did not rely upon the Guideline M&A Transaction Method as of the Valuation Date.

Asset approach

The asset approach measures the value of an asset by the cost to recreate or replace it with another of like utility. When applied to the valuation of equity interests in businesses, value is based on the net aggregate fair market value of the entity's underlying individual assets. This approach is frequently used in valuing holding companies or capital-intensive businesses. This methodology was not used, as it does not accurately represent the going concern value of the Company.

Income approach: Discounted cash flow

This approach focuses on the income producing capability of a business. The discounted cash flow method was weighted at 50.00% based on an assessment of the Company's current stage of development and the financial projections provided by management.

INCOME APPROACH: DISCOUNTED CASH FLOW

Discounted cash flow

The forecast for the Company was provided by management. Management has developed projections through 2020, which capture the expected revenues and cash flows for the Company. The DCF method was utilized to capture the value of the Company on a going concern basis by estimating the present value of its future economic benefits. The income approach converts future cash flows to a single, current discounted amount. The fair value measurement is estimated on the basis of the value indicated by current market expectations about those future cash flow amounts. The DCF method converts these future cash flows to their present value using a specific discount rate that factors in the time value of money and any measurable level of risks associated with the business. Forecast observations

Based on a review of the management forecast, several observations regarding the Company's expected revenue growth and profitability were noted. In particular, we observed the following:

- Management expects the Company's revenues to grow at a compounded annual growth rate of 22.61% during the projection period.
- Management expects the Company's EBIT margin to increase from a significant loss in 2017 to 13.1% in 2020. As mentioned in the Company Overview section of this report, the Company is focused on profitability and sustainable growth going forward, which is reflective of the projections provided by Management.

Based on the forecast from the Company, projected free cash flows were determined by adding: (1) operating profit after-tax and (2) depreciation and amortization, and then subtracting the necessary reinvestment in the Company of (3) capital expenditures and (4) working capital. Depreciation, capital expenditures, and working capital requirements were forecasted by management. These annual cash flows then were discounted to account for the nature and timing of the Company's expected cash flows.

Discount rate

The expected cash flows to be generated should be discounted to the present value using a discount rate, or rate of return, that appropriately reflects the risk and cost of capital to the Company.

DISCOUNTED CASH FLOW ANALYSIS

Income statement	2018	2019	2020
Revenue	$135,857,533	$170,651,694	$209,243,376
EBIT	$3,086,775	$18,125,968	$27,378,123
EBIT margin	*2.27%*	*10.62%*	*13.08%*
Less: taxes	$771,694	$4,531,492	$6,844,531
Net operating profit after tax	$2,315,081	$13,594,476	$20,533,592
Plus: Depreciation and amortization	$439,747	$682,607	$836,974
Less: Capital expenditures	$180,000	$200,000	$250,000
Δ Net working capital	($1,044,402)	$2,000,000	($4,000,000)
Unlevered free cash flow	$3,619,230	$12,077,083	$25,120,566
Time unadjusted (months)	12.00	24.00	36.00
Time adjusted (years)	0.50	1.50	2.50
Present value factor	0.88	0.67	0.52
Discounted cash flow	$3,174,274.50	$8,147,924.94	$13,036,800.85

Projections through 2020 based on Company estimates.

EXHIBIT A - VENTURE CAPITAL REQUIRED RATES OF RETURN

In order to capture the additional risk inherent with early stage venture-backed companies, a discount rate within the range of Venture Capital Rate of Return studies for companies of a similar stage was selected. The VC discount rates reflect the capital costs associated with early-stage companies with consideration to higher return expectations and perceived risks across different stages of development. The selected discount rate of 30.00% is supported and acceptable based on early-stage risk factors and the applicable stage of development.

Stage of development	Business cycle	Frei & Leleux Life Sciences Study	Seiffer Software Study[2]	Plummer Study[3]	Scherlis and Sahlman Study[4]	Sahlman, Stevenson and Bhide Study[5]
Start-up	Pre-prototype	70%-100%	60%-80%	50%-70%	80%-100%	50%-100%
R&D	Prototype	50%-70%	50%-60%	40%-60%	50%-70%	40%-60%
First stage	Commercialization	40%-60%	40%-50%	N/A	40%-60%	N/A
Expansion	Shipping product	35%-50%	30%-40%	35%-50%	30%-50%	30%-40%
Mezanine/IPO	Profitable	25%-40%	25%-30%	25%-35%	20%-35%	20%-30%

[1]*Frei, P. & Leleux, B. "Valuating the Company. in Starting a Business in the Life Sciences - from Idea to Market." (Luessen, H. (ed.).) 42-55 (Edition Cantor Verlag, Aulendorf, Germany, 2003).*
[2]*John Seiffer, "The Business of Software: The Venture Capital Rate of Return". http://discuss.joelonsoftware.com/default.asp?biz.5.254929.9 (21 November 2005).*
[3]*Plummer, James L., QED Report on Venture Capital Financial Analysis, Palo Alto: QED Research, Inc., 1987*
[4]*Scherlis, Daniel R. and Sahlman, William A., "A Method for Valuing High-Risk, Long Term, Investments: The Venture Capital Method," Harvard Business School Teaching Note 9-288-006, Boston: Harvard Business School Publishing, 1989, Rev October 1, 2009*
[5]*Sahlman, William A. and Howard H. Stevenson, Amar V. Bhide, "Financing Entrepreneurial Ventures", Business Fundamental Series, Boston: Harvard Business School Publishing, 1998.*

DCF CONCLUSION

Terminal value
The terminal value captures the value of the Company's expected cash flows beyond the forecasted period. It often represents a large part of the Company's total value, making it a critical component of the valuation. Once calculated, the terminal value is then discounted back to present value and summed with the discounted cash flows of the forecasted period to arrive at the implied Enterprise Value of the Company as of the valuation date.

Selected terminal value method: H-Model
Fundamentally, the H-model is a two-stage dividend discount model that considers the declining high growth rate period in the first stage, and then captures the going-concern value in perpetuity, via a Gordon Growth Model ("GGM") in the second stage. The GGM is a perpetuity model that assumes that the last year of projected cash flow will grow at a constant rate in perpetuity after the last year of the explicit financial forecast. The Company expects its growth rate of 20.00% to decline in a linear fashion over two periods of 2.5 years until it reaches the terminal growth rate of 3.00%; therefore, the H-Model was determined to be the most appropriate method to capture this value.

The H-Model relies on the calculated discount rate, the short-term growth rate, the terminal growth rate, and the estimated years until normalized growth. The short-term growth rate is calculated considering the cumulative annual growth rate of the free cash flow over the forecasted period. The length of declining growth is based on the Company's stage and the expected time for the Company to achieve a stabilized terminal growth rate. Lastly, the terminal growth rate is assumed based on the long-term growth expectations of the Company, as well as long-term industry and economic trends.

Concluded Value
Based on the above assumptions, we estimate the market value of invested capital using the DCF method to be as of the Valuation Date.

DCF SUMMARY

Terminal value - H-Model

Metric	Value
Free cash flow	$25,120,565.52
Perpetuity growth rate	3.00%
Short term growth rate	20.00%
Half life of high growth period	2.5 years
Discounted terminal value	$70,253,871.25

Concluded value

Metric	Value
Present value of cash flows	$24,359,000.29
Present value of terminal value	$70,253,871.25
Enterprise value	$94,612,871.54
Plus: Cash and cash equivalents	$1,587,087.00
Plus: Present value of NOL tax benefits	$8,669,914.88
Market value of invested capital	$104,869,873.45

GUIDELINE PUBLIC COMPANY DISCUSSION

Public companies selected

We identified potential guideline companies to compare to Loot Crate, Inc.. A global list of companies that could be considered similar to Loot Crate, Inc. was compiled for comparative purposes from a variety of sources including Capital IQ and discussions with management. We selected publicly traded guideline companies based on consideration of: business descriptions, operations and geographic presence, financial size and performance, stock liquidity, and management recommendations regarding most similar companies.

COMPARABLE COMPANY STATISTICS

($USD in thousands)

Company	LTM revenue	Historic growth rate	Projected growth	EBITDA margin	Projected EBITDA margin
Duluth Holdings Inc.	$428,295.00	25.29%	23.59%	8.63%	9.94%
Groupon, Inc.	$3,005,315.00	-0.68%	-4.77%	2.75%	9.12%
Lands' End, Inc.	$1,354,885.00	0.33%	1.92%	3.77%	4.41%
Liquidity Services, Inc.	$270,015.00	-14.67%	-15.37%	-10.88%	-8.93%
Medifast, Inc.	$286,023.00	4.63%	12.41%	14.39%	16.42%
Nutrisystem, Inc.	$674,667.00	28.08%	14.48%	14.03%	16.43%
Overstock.com, Inc.	$1,814,648.00	3.45%	1.50%	-0.43%	0.54%
Stitch Fix, Inc.	$1,036,698.00	29.52%	21.04%	2.23%	4.60%
Wayfair Inc.	$4,266,438.00	36.06%	31.93%	-3.39%	-0.79%
Maximum	$4,266,438.00	36.06%	31.93%	14.39%	16.43%
75th percentile	$1,814,648.00	28.08%	21.04%	8.63%	9.94%
Median	$1,036,698.00	4.63%	12.41%	2.75%	4.60%
25th percentile	$428,295.00	0.33%	1.50%	-0.43%	0.54%
Minimum	$270,015.00	-14.67%	-15.37%	-10.88%	-8.93%
Loot Crate, Inc.	$145,954.62	-10.52%	-6.92 %	-8.53%	2.60%

COMPARABLE COMPANY RANKINGS

(From highest to lowest)

Rank	LTM revenue	Historic growth rate	Projected growth	EBITDA margin	Projected EBITDA margin
1	Wayfair Inc.	Wayfair Inc.	Wayfair Inc.	Medifast, Inc.	Nutrisystem, Inc.
2	Groupon, Inc.	Stitch Fix, Inc.	Duluth Holdings Inc.	Nutrisystem, Inc.	Medifast, Inc.
3	Overstock.com, Inc.	Nutrisystem, Inc.	Stitch Fix, Inc.	Duluth Holdings Inc.	Duluth Holdings Inc.
4	Lands' End, Inc.	Duluth Holdings Inc.	Nutrisystem, Inc.	Lands' End, Inc.	Groupon, Inc.
5	Stitch Fix, Inc.	Medifast, Inc.	Medifast, Inc.	Groupon, Inc.	Stitch Fix, Inc.
6	Nutrisystem, Inc.	Overstock.com, Inc.	Lands' End, Inc.	Stitch Fix, Inc.	Lands' End, Inc.
7	Duluth Holdings Inc.	Lands' End, Inc.	Overstock.com, Inc.	Overstock.com, Inc.	**Loot Crate, Inc.**
8	Medifast, Inc.	Groupon, Inc.	Groupon, Inc.	Wayfair Inc.	Overstock.com, Inc.
9	Liquidity Services, Inc.	**Loot Crate, Inc.**	**Loot Crate, Inc.**	**Loot Crate, Inc.**	Wayfair Inc.
10	**Loot Crate, Inc.**	Liquidity Services, Inc.	Liquidity Services, Inc.	Liquidity Services, Inc.	Liquidity Services, Inc.
Subject Co.	10/10	9/10	9/10	9/10	7/10

Source: Capital IQ

REVENUE MULTIPLES

($USD in Millions)

Name	TEV	LTM	2017	2018	2019
Duluth Holdings Inc.	$654.72	1.53x	1.41x	1.15x	0.97x
Groupon, Inc.	$2,439.64	0.81x	0.86x	0.84x	0.82x
Lands' End, Inc.	$1,026.94	0.76x	0.75x	0.74x	0.72x
Liquidity Services, Inc.	$60.32	0.22x	0.23x	0.27x	-
Medifast, Inc.	$737.35	2.58x	2.48x	2.23x	1.86x
Nutrisystem, Inc.	$1,478.02	2.19x	2.13x	1.87x	1.65x
Overstock.com, Inc.	$1,559.47	0.86x	0.86x	0.84x	0.81x
Stitch Fix, Inc.	$2,414.69	2.33x	-	1.85x	1.54x
Wayfair Inc.	$6,850.49	1.61x	1.48x	1.15x	0.92x
Maximum	$6,850.49	2.58x	2.48x	2.23x	1.86x
90th percentile	$3,321.61	2.38x	2.23x	1.94x	1.71x
75th percentile	$2,414.69	2.19x	1.64x	1.85x	1.56x
Median	$1,478.02	1.53x	1.14x	1.15x	0.95x
Mean	$1,913.52	1.43x	1.28x	1.21x	1.16x
25th percentile	$737.35	0.81x	0.83x	0.84x	0.82x
10th percentile	$535.84	0.65x	0.6x	0.65x	0.78x
Minimum	$60.32	0.22x	0.23x	0.27x	0.72x

Source: Capital IQ

GUIDELINE PUBLIC COMPANY METHOD CONCLUSION

Multiples selection

As of the Valuation Date, the Company's historical and projected revenue growth rates and trailing margins ranked at the bottom of the publicly-traded industry comparables. Additionally, the Company is substantially smaller than its comparable companies in terms of trailing revenue and market value. However, Managment is projecting significant improvement to its bottom line in the coming year. Given this context, and the substantial qualitative risk factors identified by Management, a multiple between the bottom quartile and tenth percentile of the range was selected.

Weighting

In the past year, the Company missed revenue targets and experienced negative year-over-year growth. Management attributed the negative growth to slower growth in subscriptions, reduced sales and marketing spend, and delayed traction in new product lines. Despite the negative growth, Managment indicated that the Company was able to "right-size" its operational expenditures, to postition the Company for sustainable growth in the future. Given this context, and Management's reasonable confidence in projected 2018 forecasts, Carta Valuations felt comfortable assigning full weighting to the Company's calendar year 2018 projected revenue.

	Metric	Multiple	Weighting	Weighted value
2018 revenue	$135,857,533.00	0.75x	1.00	$101,893,149.75

Business enterprise value	$101,893,149.75
Plus: Cash and cash equivalents	$1,587,087.00
Market value of invested capital	$103,480,236.75
Interest-bearing liabilities	$14,625,000.00
Equity value	$88,855,236.75

ALLOCATION

After the value of the Company was determined, it was allocated among the various share classes. The three allocation approaches considered are outlined below:

Option pricing model (OPM)

The OPM allocates a company's market value of invested capital among the various capital investors. The OPM takes into account the outstanding debt, the preferred shareholders' liquidation preferences, participation rights, dividend policy, and conversion rights to determine how proceeds from a liquidity event shall be distributed among the various ownership classes at a future date.

Option pricing model inputs

Inputs	Value
Market value of invested capital	$104,175,055.10
Risk-free interest rate	1.926%
Selected asset volatility	55.00%
Probability weighted time to exit	2.50 years

To calculate the fair market value of Common Stock, the Black-Scholes Option Pricing Model was used. The Black-Scholes implementation of the Option Pricing Method treats the rights of holders of various classes of securities (debt, preferred stock, common stock, warrants, and options) as call options on any value of the Company above a series of breakpoints. For the Company, these breakpoints were set after examining the Certificate of Incorporation, warrant and option agreements, loan agreements/covenants and management's records of the numbers of securities outstanding as of the Valuation Date. The values of the breakpoints were calculated by reviewing:

- The outstanding principal balance and any accrued interest on long-term debt;
- The liquidation preferences of preferred stock (including seniority of any series of preferred stock);
- The participation rights of preferred stock (including any caps on such participation);
- The strike prices of warrants and options

The Black-Scholes Model requires a series of variables, including the: value of company, time to liquidity event, risk-free rate, and volatility. Below are the key assumptions for each of these variables.

Company value

The implied market value of invested capital of $104,175,055.10 was used as the underlying value of the company.

Time to liquidity

In the context of the OPM, the time to a liquidity event (otherwise referred to as "time to exit") constitutes the time until the Company issues an initial public offering ("IPO"), is acquired, or liquidates assets through a dissolution sale. In determining the time to liquidity, Carta Valuations LLC incorporated guidance from management in the probability weighted time to exit that accounts for different exit, financing, or dissolution scenarios. As for the selected time to exit used in the DLOM, it reflects an approximation of the time to an IPO or M&A event.

As per Section 6.37 of the AICPA Practice Aid, *"...for early-stage firms, the next round of financing may be highly uncertain. Using a term in the OPM based on the expected time to exit, including the likelihood of dissolution in the short term, while still estimating the discount for lack of marketability based on the expected time to a successful exit may provide a more representative value for common stock in situations in which the company's ability to raise the next round of funding is highly uncertain."*

Risk-free rate

It is commonly accepted that US Treasury securities are a good proxy for the risk-free rate. We used the yield, as of Dec. 31, 2017 of the 2.50 year US Treasury bond, a maturity which closely approximates the forecasted liquidity horizon of the Company.

Volatility

The estimate for expected volatility, over the estimated time to a liquidity event, was based upon an analysis of the historical volatility of guideline public companies and factors specific to the Company. A volatility of 55.00% was selected for the Company.

Probability weighted expected return method (PWERM)

The Probability Weighted Expected Return Method of allocating value between security holders analyzes the capital structure of a business at the time of several different potential future outcomes. It assumes that the likelihood, timing, and size of financial success or failure can be estimated. This method involves a forward-looking analysis of the possible future outcomes available to the enterprise, the estimation of ranges of future and present value under each outcome, and the application of a probability factor to each outcome as of the valuation date.

Given the subjectivity and difficulty associated with estimating exit values and lack of empirical data to support the values at the Company's current stage of development, the probability-weighted expected return method was not selected.

Current value method

The Current Value Method allocates the company's current value among various equity owners based on liquidation preferences and other rights under the assumption that all capital owners act to maximize their financial return. According to AICPA guidelines, the Current Value Method is applicable in two circumstances: 1) the assumption of an imminent liquidity event in the form of an acquisition or dissolution of a company; and 2) when a company is assumed to be at such an early stage of its development that no material progress has been made on its business plan, no significant value has been created above the liquidation preference of the senior securities, and there is no reasonable basis for estimating the amount and timing of any such common equity above the liquidation preference that might be created in the future.

The Company is not very early in its development and does not face an imminent liquidity/dissolution event as of the Valuation Date. Therefore, the Current Value Method was not selected.

VOLATILITY SELECTION

Comparable company	Symbol	Asset volatility
Duluth Holdings Inc.	DLTH	44.27%
Groupon, Inc.	GRPN	57.77%
Lands' End, Inc.	LE	30.39%
Liquidity Services, Inc.	LQDT	44.99%
Medifast, Inc.	MED	27.60%
Nutrisystem, Inc.	NTRI	42.08%
Overstock.com, Inc.	OSTK	54.56%
Stitch Fix, Inc.	SFIX	117.37%
Wayfair Inc.	W	53.87%
Minimum		27.60%
10th percentile		29.83%
25th percentile		42.08%
Mean		52.54%
Median		44.99%
75th percentile		54.56%
90th percentile		69.69%
Maximum		117.37%
Selected volatility		55.00%

The volatility represents the normalized, standard deviation of the natural log of daily price returns of the comparable public companies. All pricing data is sourced from CapitalIQ or Quandl.

BREAKPOINTS

Description	From	To	Delta	Option value	Incremental value
Debt Payment: Senior debt, Convertible Notes No Valuation Cap	$0	$17,583,080	$17,583,080	$87,635,667	$16,539,388
Liquidation preference: Series A-1 Preferred, Series A Preferred	$17,583,080	$36,283,084	$18,700,003	$71,979,712	$15,655,954
Participates: Common	$36,283,084	$36,283,924	$840	$71,979,074	$639
Exercises: Common Warrants $0.0001 Strike	$36,283,924	$37,283,944	$1,000,020	$71,223,126	$755,948
Converts to common: Series A-1 Preferred	$37,283,944	$87,051,353	$49,767,409	$43,075,923	$28,147,203
Exercises: Common (CMN) $5.4200 Strike	$87,051,353	$110,753,315	$23,701,962	$34,582,514	$8,493,409
Exercises: Common (CMN) $7.8300 Strike	$110,753,315	$128,711,322	$17,958,007	$29,527,536	$5,054,978
Exercises: Common Warrants $9.5600 Strike, Common (CMN) $9.5600 Strike	$128,711,322	$149,333,180	$20,621,858	$24,829,560	$4,697,976
Converts to common: Series A Preferred	$149,333,180	$245,386,440	$96,053,260	$12,170,861	$12,658,700
Converts to common: Common (CMN) $19.0400 Strike	$245,386,440	Infinity	Infinity	$0	$12,170,861

OPTION PRICING MODEL

Percentages

Share classes	1	2	3	4	5	6	7	8	9	10
Series A-1 Preferred	-	0.53%	-	-	9.09%	8.67%	8.21%	7.75%	6.75%	6.57%
Series A Preferred	-	99.47%	-	-	-	-	-	-	12.88%	12.52%
Common	-	-	100.00%	98.44%	89.49%	85.40%	80.91%	76.34%	66.51%	64.67%
Common Warrants $0.0001 Strike	-	-	-	1.56%	1.42%	1.36%	1.28%	1.21%	1.06%	1.03%
Common (CMN) $5.4200 Strike	-	-	-	-	-	4.57%	4.33%	4.09%	3.56%	3.46%
Common (CMN) $7.8300 Strike	-	-	-	-	-	-	5.26%	4.96%	4.32%	4.20%
Common (CMN) $9.5600 Strike	-	-	-	-	-	-	-	5.12%	4.46%	4.33%
Common Warrants $9.5600 Strike	-	-	-	-	-	-	-	0.54%	0.47%	0.45%
Common (CMN) $19.0400 Strike	-	-	-	-	-	-	-	-	-	2.77%
Senior debt	97.16%	-	-	-	-	-	-	-	-	-
Convertible Notes No Valuation Cap	2.84%	-	-	-	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

$USD

Share classes	1	2	3	4	5	6	7	8	9	10
Series A-1 Preferred	-	$83,740	-	-	$2,557,320	$736,398	$415,246	$364,099	$854,701	$799,035
Series A Preferred	-	$15,572,214	-	-	-	-	-	-	$1,630,494	$1,524,302
Common	-	-	$639	$744,131	$25,189,884	$7,253,602	$4,090,215	$3,586,419	$8,418,895	$7,870,584
Common Warrants $0.0001 Strike	-	-	-	$11,816	$399,999	$115,182	$64,950	$56,950	$133,686	$124,980
Common (CMN) $5.4200 Strike	-	-	-	-	-	$388,227	$218,916	$191,952	$450,596	$421,249
Common (CMN) $7.8300 Strike	-	-	-	-	-	-	$265,651	$232,931	$546,790	$511,178
Common (CMN) $9.5600 Strike	-	-	-	-	-	-	-	$240,395	$564,313	$527,560
Common Warrants $9.5600 Strike	-	-	-	-	-	-	-	$25,230	$59,225	$55,368
Common (CMN) $19.0400 Strike	-	-	-	-	-	-	-	-	-	$336,605
Senior debt	$16,069,067	-	-	-	-	-	-	-	-	-
Convertible Notes No Valuation Cap	$470,321	-	-	-	-	-	-	-	-	-
Total	$16,539,388	$15,655,954	$639	$755,948	$28,147,203	$8,493,409	$5,054,978	$4,697,976	$12,658,700	$12,170,861

OPTION PRICING MODEL RESULTS

Share class	Share class value	Shares outstanding	Fully marketable value
Common Warrants $9.5600 Strike	$139,823	59,087	$2.37
Common (CMN) $19.0400 Strike	$336,605	359,213	$0.94
Convertible Notes No Valuation Cap	$470,321	0	None
Common Warrants $0.0001 Strike	$907,563	133,374	$6.80
Common (CMN) $9.5600 Strike	$1,332,268	562,994	$2.37
Common (CMN) $7.8300 Strike	$1,556,550	545,512	$2.85
Common (CMN) $5.4200 Strike	$1,670,942	449,543	$3.72
Series A-1 Preferred	$5,810,539	852,703	$6.81
Senior debt	$16,069,087	0	None
Series A Preferred	$18,727,010	1,626,683	$11.51
Common	$57,154,368	8,399,219	$6.80

DISCOUNT FOR LACK OF MARKETABILITY

Selected approach: The Chaffe Approach

Inputs	Value
Risk-free interest rate	1.926%
Time to exit	2.50 years
Common share class volatility	71.14%
Total equity value, *S*	$1.00
Equity breakpoint, *X*	$1.00
Continuously compounded dividend yield rate, *q*	0.00%
Standard normal cumulative distribution of *d1*, *N(d1)*	69.83%
Standard normal cumulative distribution of *d2*, *N(d2)*	27.25%

Calculated value of Put option	$0.39
Calculated discount for lack of marketability, Chaffe approach	39.30%

DISCOUNT FOR LACK OF MARKETABILITY

Selected approach: The Finnerty Approach

Inputs	Value
Risk-free interest rate	1.926%
Time to exit	2.50 years
Common share class volatility	71.14%
Value of the share of common stock without transfer restrictions, *V*	$1.00
Continuously compounded dividend yield rate, *q*	0.00%
Standard normal cumulative distribution of *d1*, *N(d1)*	61.42%
Standard normal cumulative distribution of *d2*, *N(d2)*	38.58%

Calculated value of Put option	$0.23
Calculated discount for lack of marketability, Finnerty approach	22.83%
Selected discount for lack of marketability	25.00%

APPRAISER BIO AND CREDENTIALS

Chad Willbur
Managing Director, Carta Valuations LLC

Chad Willbur is the Director of Carta Valuations LLC. Since 2004, Chad has specialized in the valuation of privately-held securities for financial reporting purposes and tax compliance. During this time, he has served large public and private companies, middle-market firms and early-stage enterprises. Representative engagements include:

- Common stock valuations for tax and financial reporting to comply with section 409A of the Internal Revenue Code and FASB ASC Topic 718: Compensation-Stock Compensation
- Fund valuations for financial reporting to comply with FASB ASC Topic 820: Fair Value Measurements and Disclosures
- Valuation of carried and capital interests related to private equity, venture capital, and hedge fund interests
- Valuation of stock options and complex option-embedded securities

Chad has extensive experience serving clients in a variety of industries including: Internet software and services, biotechnology, pharmaceuticals, cleantech, application and system software, computer hardware, healthcare, financial services, manufacturing, media, retail and telecommunications.

Chad previously served as a Director in the valuation services group at Andersen Tax, LLC and as the Director of the Venture Capital/Private Equity business unit at Quist Valuation, LLP/Shareholder Insite, Inc. Chad is a candidate member of the American Society of Appraisers and the CFA Institute.

APPRAISER BIO AND CREDENTIALS

Christine Ngo, CVA
Manager, Carta Valuations LLC

Christine Ngo is a Valuation Manager at Carta Valuations LLC. She has significant valuation experience, completing over 500 valuation projects including intangible asset valuations, stock option analyses for financial reporting, fairness opinions and corporate planning.

Prior to joining Carta Valuations LLC, Christine completed valuation and financial reporting work as an Associate at Teknos Associates. Her work experience also includes positions with the business valuation and litigation support firms Valuation Services, Inc., where she completed valuation projects for corporate planning, private equity transactions, and gift and estate tax purposes. Christine's experience also includes an internal audit role with Ernst and Young.

Christine received a B.S. in Finance from the University of Virginia. Additionally, Christine holds the designation of Certified Valuation Analyst (CVA) granted by the National Association of Certified Valuators and Analysts and is a CFA Level II Candidate.

APPRAISER BIO AND CREDENTIALS

Jaron Watumull Wright, CFA
Manager, Carta Valuations LLC

Jaron Watumull Wright is a Manager with Carta Valuations LLC, focusing on valuations of late-stage, venture-backed technology companies. Before joining the Carta Valuations LLC team, Jaron worked at SVBA Analytics where he focused on early and late stage 409A valuations.

Prior to joining SVB Analytics, Jaron was an Account Manager for CapMx where he supported clients through equity compensation management and ASC718 (formerly FAS123r) expensing. Before joining CapMx, Jaron worked for a start-up technology company after working at PricewaterhouseCoopers, where he assisted with financial audits.

Jaron received his bachelor's degree in finance from the University of San Francisco. He passed Level III of the CFA Program in 2014.

APPRAISER BIO AND CREDENTIALS

Patrick Harrington
Manager, Carta Valuations LLC

Patrick Harrington is a Manager with Carta Valuations LLC, responsible for conducting due diligence and financial analysis on valuation engagements for late-stage technology companies.

Prior to joining Carta Valuations LLC, Patrick worked as a Manager with SVB Analytics where he executed a variety of advisory and valuation engagements.

Before SVB Analytics, Patrick worked as a Lead Qualification Specialist at insideView, Inc. where he was responsible for screening inbound leads and performing predictive analyses to drive business development.

Patrick holds FINRA Series 63 and Series 79 licenses, and is a candidate member for the American Society of Appraisers.

Patrick earned a bachelor's degree in Finance with a minor in Economics from Fordham University, graduating Summa Cum Laude and as a member of Beta Gamma Sigma and Phi Kappa Phi Honors Societies.

APPRAISER BIO AND CREDENTIALS

Tami Tande
Manager, Carta Valuations LLC

Tami Tande joined Carta Valuations LLC as a Valuation Manager in November 2017. Prior to joining Carta Valuations LLC, Tami worked as a Manager in the valuation department at Moss Adams, LLP, a fully integrated professional services firm.

Since 2013, Tami has valued several privately-held companies for a variety of purposes, including: employee stock ownership plans (ESOPs), gift tax, estate planning, potential sale and acquisitions, 409A compensation plans, financial reporting, and corporate planning purposes.

Tami has valued companies in several different industries, including but not limited to, companies operating in the information technology, software development, engineering, distributor/wholesale, restaurant, grocery store, gas station, manufacturing, and construction space.

Tami has also worked on a variety of consulting projects involving assisting management with making informed financial decisions for the company.

Tami received her master's degree in finance with a focus on business valuation from Seattle University. She passed Level I of the CFA Program in 2011.

Contributing analysts

Evan Rydinski
Valuations Analyst

Tami Tande
Senior Manager

REPORT CERTIFICATION

This valuation complies with generally accepted standards

This valuation was created in compliance with the Uniform Standards of Professional Appraisal Practice and the American Institute of Certified Public Accountants valuation methodologies.

This valuation is unbiased

Neither Carta Valuations LLC nor its staff who conducted this valuation have a present or intended financial interest in the Company. The fees for this service are not contingent upon the valuation opinion expressed in this report.

This valuation uses the best information available

This valuation was created using the best information available, and assumes that there are no hidden or unapparent conditions that would materially alter the opinion expressed in this report. This valuation assumes that, as of the Effective Date of Dec. 31, 2017, the Company will continue to operate as a going concern.

The information in this report is believed to be correct

For purposes of this valuation report, the management of Loot Crate, Inc. provided us with financial data and other records and documents pertaining to the Company's operations and assets, which have not been independently verified. This information has been accepted as a proper representation of the Company's operations and condition.

Purpose and distribution of valuation

The valuation prepared by Carta Valuations LLC is prepared solely for the purpose stated in the Engagement Letter and should not be used for any other purpose. Except as specifically stated by Carta Valuations LLC, this valuation report and its contents may not be quoted or referred to, in whole or in part, in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without the prior written approval of Carta Valuations LLC. This valuation report is prepared for Client use only for the stated purpose as of the valuation date and may not be reproduced or distributed to any third parties without Carta Valuations LLC prior written consent.

Nature of opinion

Nothing in this valuation report is to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency opinion, or an investment recommendation, but, instead, is the expression of Carta Valuations LLC's determination of the fair market value of assets between a hypothetical willing buyer and a hypothetical willing seller in an assumed transaction on an assumed valuation date. For various reasons, the price at which the assets might be sold in a specific transaction between specific parties on a specific date might be significantly different from the fair market value as expressed in this report.

Reliance on forecasted data

Carta Valuations LLC's use of Client's management projections or forecasts in any analysis does not constitute an examination or compilation of prospective financial statements in accordance with standards established by the American Institute of Certified Public Accountants ("AICPA"). Carta Valuations LLC does not express an opinion or any other form of assurance on the reasonableness of the underlying assumptions or whether any of the prospec-

tive financial statements, if used, are presented in conformity with AICPA presentation guidelines. Further, there will usually be differences between prospective and actual results because events and circumstances frequently do not occur as expected and these differences may be material. Achievement of the forecasted results is dependent on action, plans, and assumptions of management.

Testimony

Carta Valuations LLC and its employees, consultants and agents shall not provide any testimony or appear in any legal proceeding unless Carta Valuations LLC coordinates such testimony.

Circular 230 Disclaimer

This report is limited to issues concerning compliance with IRC §409(a). Additional issues may exist that could affect the Federal tax treatment of the interests that are subject to the report, and the report does not consider or provide a conclusion with respect to any additional issues. Carta Valuations LLC's report is not intended or written to be used, and cannot be used, by the Company or any other person or entity, for the purpose of avoiding any penalties that may be imposed on any taxpayer.

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Appendix

COMPARABLE COMPANY DESCRIPTIONS

Duluth Holdings Inc.

Duluth Holdings Inc. sells casual wear, workwear, and accessories for men and women under the Duluth Trading brand in the United States. It provides shirts, pants, underwear, tanks, outerwear, footwear, accessories, and hard goods. The company offers its products under various trademarks, trade names, and service marks, including Alaskan Hardgear, Armachillo, Ballroom, Bucket Master, Cab Commander, Crouch Gusset, Dry on the Fly, Duluth Trading Co, Duluthflex, Fire Hose, Longtail T, No-Yank, No Polo Shirt, Wild Boar Mocs, and Buck Naked. Duluth Holdings Inc. markets its products through its Website, catalogs, and retail stores. As of May 3, 2018, it operated 34 retail stores. The company was formerly known as GEMPLER'S, Inc. Duluth Holdings Inc. was founded in 1989 and is headquartered in Belleville, Wisconsin. Duluth Holdings Inc. is a subsidiary of Ariens Company.

Groupon, Inc.

Groupon, Inc. operates online local commerce marketplaces that connect merchants to consumers by offering goods and services at a discount in North America and internationally. The company provides deals in various categories, including events and activities, beauty and spa, health and fitness, food and drink, home and garden, and automotive; and deals on various product lines, such as electronics, sporting goods, jewelries, toys, household items, and apparel, as well as provides discounted and market rates for hotel, airfare, and package deals. It offers its deal offerings to customers through Websites; search engines; mobile applications and mobile Web browsers, which enable consumers to browse, purchase, manage, and redeem deals on mobile devices; emails; affiliate channels; display advertising; and television and radio advertising. The company was formerly known as ThePoint.com, Inc. and changed its name to Groupon, Inc. in October 2008. The company was founded in 2008 and is headquartered in Chicago, Illinois. Groupon, Inc. is a subsidiary of The Point, LLC.

Lands' End, Inc.

Lands' End, Inc. operates as a multi-channel retailer in the United States, the United Kingdom, Germany, and Japan. The company operates in two segments, Direct and Retail. It offers casual clothing, accessories, footwear, and home products. The company sells its products online through landsend.com, and affiliated specialty and international Websites; direct mail catalogs; and retail locations primarily at Lands' End Shops at Sears, Lands' End stores, and international shop-in-shops. As of February 2, 2018, it operated 174 Lands' End Shops at Sears; and 14 Lands' End stores. Lands' End, Inc. was founded in 1963 and is headquartered in Dodgeville, Wisconsin.

Liquidity Services, Inc.

Liquidity Services, Inc. provides e-commerce marketplace solutions to manage, value, and sell inventory and equipment for business and government clients in the United States. The company's marketplaces include liquidation.com that enable corporations to sell surplus and salvage consumer goods and capital assets; govliquidation.com, which enables federal government agencies and commercial businesses to sell surplus and scrap assets; govdeals.com that enables local and state government entities, school boards, and public utilities to sell surplus and salvage assets; auctiondeals.com self-service solution which enable sellers list their assets to commercial businesses to sell surplus and salvage assets. It also operates networkintl.com, which enables corporations to sell idle, surplus, and scrap equipment in the oil and gas, petrochemical, and power generation industries; go-dove.com for corporations in the United States, Europe, and Asia to sell manufacturing surplus and salvage capital assets; irondirect.com that enables buyers to purchase equipment, attachments, parts, and services from manufacturers

of construction equipment; and secondipity.com that provides consumers a source of products through donating a portion of the proceeds of sale to charity. The company's marketplaces provide professional buyers access to supply of new, surplus, and scrap assets presented with digital images and other relevant product information; and enable corporate and government sellers to enhance their financial return on assets offered for sale by providing a liquid marketplace and value-added services. It offers approximately 500 product categories in industry verticals, such as consumer electronics, general merchandise, apparel, scientific equipment, aerospace parts and equipment, technology hardware, energy equipment, industrial capital assets, fleet and transportation equipment, and specialty equipment. The company was founded in 1999 and is headquartered in Bethesda, Maryland.

Medifast, Inc.

Medifast, Inc., through its subsidiaries, manufactures and distributes weight loss, weight management, healthy living products, and other consumable health and nutritional products. It offers bars, bites, pretzels, puffs, oatmeal and cereal crunch products, drinks, hearty choices, pancakes, puddings, soft serves, shakes, smoothies, soft bakes, and soups under the Medifast, OPTAVIA, Thrive by Medifast, Optimal Health by OPTAVIA, Flavors of Home, and Essential 1 brands. The company sells its products through various channels, including the Internet, call centers, independent health advisors, medical professionals, franchise weight loss clinics, and direct consumer marketing. As of December 31, 2017, it operated 16 franchised Medifast weight control centers in Arizona, California, Louisiana, Minnesota, and Wisconsin; and 18 reseller locations in California, Maryland, and Pennsylvania. The company was founded in 1980 and is headquartered in Baltimore, Maryland.

Nutrisystem, Inc.

Nutrisystem, Inc., together with its subsidiaries, provides weight management products and services for women and men in the United States. The company offers Nutrisystem program that consists of approximately 150 portion-controlled items, which serve as the foundation of a low glycemic index diet. Its programs comprise Nutrisystem D, a program designed for people with type 2 diabetes or at risk for type 2 diabetes who want to lose weight and manage their diabetes; Turbo10 program, a program that deliver up to a 10-pound weight loss and a reduction of 5 inches overall in the first month of dieting; The Lean13, a program designed to deliver weight loss of up to 13 pounds and 7 inches in the first month; South Beach Diet, a structured meal delivery weight-loss program; and 5-day kit, a kit for individuals with or at risk of type 2 diabetes, as well as SmartCarb and PowerFuel products, including blueberry muffins, cinnamon buns, vanilla shakes, chocolate shakes, and chocolate chip cookie packs. The company also provides My Daily 3, a physical activity program, which provides information on diet, nutrition, and physical activity; and NuMi, an interactive and personalized weight loss tracking tool. It offers monthly food packages of frozen and ready-to-go food containing four-week meal plan of breakfasts, lunches, dinners, and snacks and flex meal plan recipes, which they supplement with fresh fruits, vegetables, lean proteins, and low-fat dairy. The company sells its pre-packaged foods to weight loss program participants directly through the internet and telephone; a television shopping network; and retailers. Nutrisystem, Inc. was founded in 1972 and is headquartered in Fort Washington, Pennsylvania.

Overstock.com, Inc.

Overstock.com, Inc. operates as an online retailer in the United States. It operates in two segments, Direct and Partner. The company offers home and garden products, including furniture, home decor, garden and patio, kitchen and dining, bedding, home improvement, housewares, and other related products; jewelry and watches; clothing and accessories; electronics and computers; and other products. It also provides handcrafted products; new, used,

and certified pre-owned cars; and loans, credit cards, and insurance, as well as access links to automated financial advisory and discounted stock brokerage services. The company sells its products and services through its Internet Websites located at overstock.com, o.co, and o.biz, as well as through third party logistics providers to international customers. The company was formerly known as D2-Discounts Direct and changed its name to Overstock.com, Inc. in October 1999. Overstock.com, Inc. was founded in 1997 and is headquartered in Midvale, Utah.

Stitch Fix, Inc.

Stitch Fix, Inc. sells a range of apparel, shoes, and accessories through its Website and mobile app in the United States. It offers denim, dresses, blouses, skirts, shoes, jewelry, and handbags for men and women under the Stitch Fix brand. The company was formerly known as rack habit inc. and changed its name to Stitch Fix, Inc. in October 2011. Stitch Fix, Inc. was founded in 2011 and is headquartered in San Francisco, California.

Wayfair Inc.

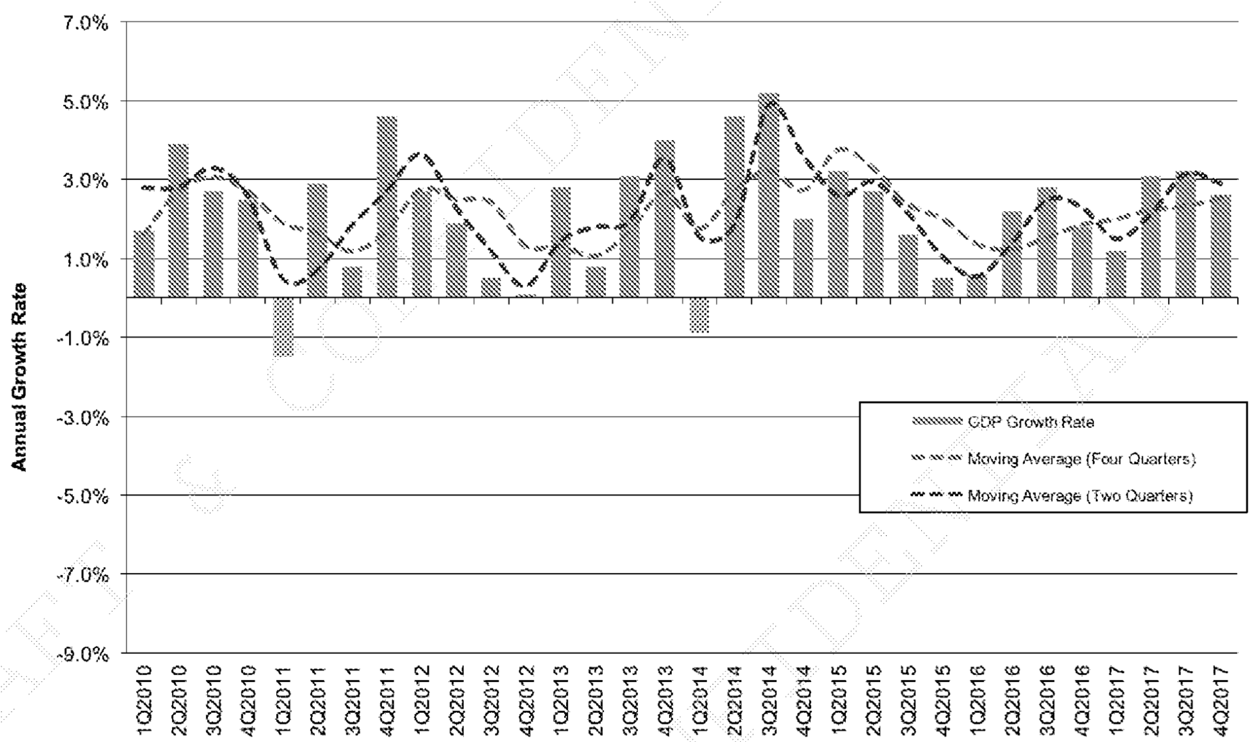
Wayfair Inc. engages in the e-commerce business in the United States and Europe. It operates through two segments, U.S. and International. The company offers approximately eight million products for the home sector under various brands. It offers a selection of furniture, décor, decorative accent, housewares, seasonal décor, and other home goods through its sites, such as Wayfair, Joss & Main, AllModern, DwellStudio, and Birch Lane. Wayfair Inc. was founded in 2002 and is headquartered in Boston, Massachusetts with additional offices in London and Berlin.

ECONOMIC OVERVIEW 4Q 2017

The U.S. economy—as indicated by GDP—grew at an annual rate of 2.6% in the fourth quarter of 2017, which is slower than the 3.2% rate reported for the third quarter of 2017. Although President Trump had been clamoring for 4.0% GDP growth, the fourth-quarter figure still ended the year on solid footing. In 2017, GDP rose at 2.3%, compared with 1.5% growth in 2016. The momentum gained over the later quarters suggests even more economic growth to come in 2018. The report noted the recently passed tax reform could lead to rising business investments and depleting inventories, which are factors that could fuel the growth. Total government spending increased 3.0% in the fourth quarter, following a modest increase of 0.7% last quarter. Private fixed investment, which includes residential and business spending, increased 7.9%. This marks the seventh consecutive quarter of increases. The trade deficit increased 25.2% in the fourth quarter, from $42.4 billion in September to $53.1 billion in December. The goods deficit increased $2.6 billion in December, to $73.3 billion, while the services surplus decreased $0.1 billion, to $20.2 billion.

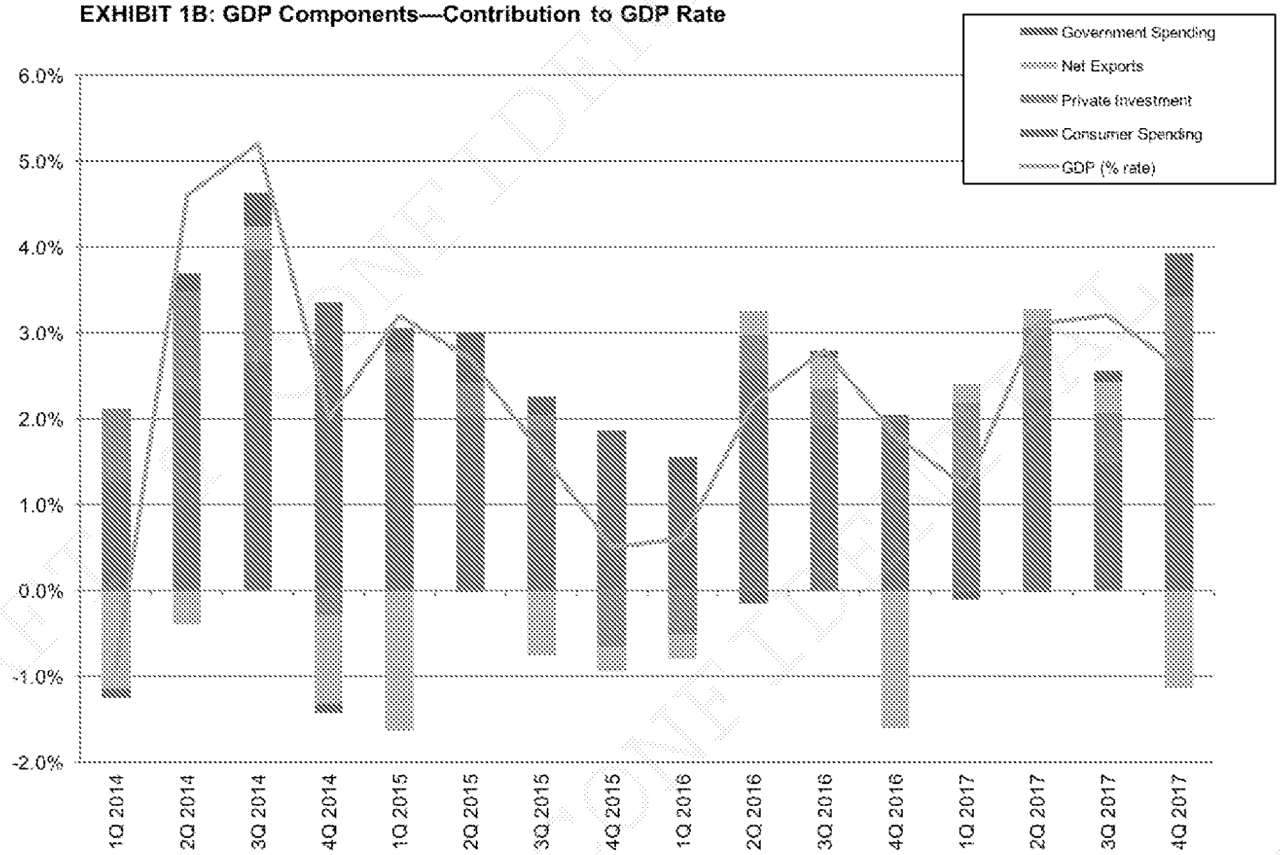
The Leading Economic Index increased 0.6% in December, exceeding economists' forecasts for a rise of 0.5%, according to a survey by Reuters. The growth in the LEI resulted in an index reading of 107.0 points. It should be noted that this month's release incorporates annual benchmark revisions to the composite economic indexes, which bring them up-to-date with revisions in the source data. In addition, with this benchmark revision, the base year of the composite indexes (i.e., the year that equals 100) was changed to 2016 from 2010. Positive contributions from new orders in manufacturing, consumers' outlook on the economy, and improving stock markets and financial conditions boosted the index. This month's reading suggests the growth in the U.S. economy will likely continue through the holiday season and into the first half of 2018. In addition, the strengths of the leading indicators became somewhat more widespread.

EXHIBIT 1A: Real Gross Domestic Product and Moving Averages



Source of data: U.S. Department of Commerce.
Note: Figures are seasonally adjusted at annual rates. As the U.S. Department of Commerce issues revised data, some historically reported figures may change.

EXHIBIT 1B: GDP Components—Contribution to GDP Rate



The jobs report remained strong in December, as employment increased by 148,000 on the month. Revision to the total of nonfarm payroll jobs in October and November made for a lower aggregate total over the two-month period. Revisions to the October figures lowered the job gains to 211,000 jobs versus the 244,000 jobs originally reported, but a revision to the November figures showed a gain of 252,000 jobs versus the 228,000 jobs initially reported. The net result was a decrease of 9,000 jobs over the two-month period. As a result, the final monthly average for jobs in the last three months of 2017 was 204,000 jobs, which is higher than the annual average in 2017 of 171,250. The monthly average in 2017 trails the monthly average in 2016, at 187,000. The number of employed Americans remains at a record high of 154.0 million. At the current figures in 2017, the job pace remains well above the 80,000-jobs-a-month pace the White House Council of Economic Advisers believes is needed to maintain a low and stable unemployment rate. The unemployment rate reported at 17-year lows, remaining unchanged in December, at 4.1%. The labor-force participation rate remained unchanged for the month and year, at 62.7%.

Wages grew 9 cents in December, which marked the second consecutive month of gains. As a result, wages increased from $26.54 per hour to $26.63 per hour. Real average hourly earnings, seasonally adjusted from December 2016 to December 2017, increased 2.5%.

In the fourth quarter, the Federal Open Market Committee (FOMC) met twice. In the first meeting, in view of realized and expected labor market conditions and to sustain 2% inflation, the FOMC determined it would raise the federal funds rate, to between 1.25% and 1.50%. During the second meeting of the quarter, the FOMC voted to maintain the target range for the federal funds rate at between 1.25% and 1.50%. In determining to maintain the existing level of the federal funds rate, the committee cited an improving labor market but a slowdown in economic growth late in the year as reasons for its decision.

The Consumer Confidence Index decreased 6.5 points in December. The index fell to a reading of 122.1, declining from the high reached in November, which had been the highest reading for the index since November 2000. Economists polled in a survey by Reuters had forecasted a decline to 124.0. A somewhat less optimistic outlook for business and job prospects in the coming months spurred the decline in the index. Despite the decline in confidence, consumers' expectations remain at historically strong levels, suggesting economic growth will continue well into 2018. The Consumer Sentiment Index also retreated from last month's strong gains, as the index fell 2.6 points in December, to 95.9 points. The index continued to sink throughout the month, as the index reported lower than the midmonth preliminary reading of 96.8. Economists polled by MarketWatch had forecasted a final reading of 97.1. The survey noted that most of the decline was among lower-income households and, even though current conditions remain strong, there was growing uncertainty about the future, as consumers were split about the Republican tax cut plan. While the small gain in take-home pay that will kick in starting in February might not spark an uptick in optimism, it might dampen any renewed pessimism. At its peak, the consumer sentiment levels averaged 105.3 from 1997 to 2000.

The 4Q 2017 Wells Fargo/Gallup Small Business Index, which was reported in November, fell 3.0 points, to 103.0. The quarterly reading reported at a 10-year high last quarter, and, despite this quarter's decline, the reading indicates business owners' financial situations remain at prerecession levels. The level of optimism is up greatly from its index score of 80.0 from the same period in 2016. The report highlighted that, despite the decline in this quarter's reading, small-business owners' optimism has improved 23 points year over year and is still holding steady at post-recession highs. Looking ahead to 2018, it's a positive sign that business owners continue to report capital spending plans at the stronger levels achieved at the end of 2016 and that one in three owners are looking to add new staff.

The fourth-quarter survey asked small-business owners about their technology use and found that only about half are making changes to the way they market and operate their businesses. When asked how they use social media in their business, 53% of business owners reported an active presence on Facebook more than any other platform. In addition, 53% said social media are very or somewhat important for marketing to new or existing customers, with advertising second, at 52%. The latest survey also shows that business owners are making small strides to update their online and e-commerce presence. In the next 12 months, 53% of business owners plan to update their websites and 51% plan to increase their online presence through online marketing and social media sites. About one-third of owners plan to increase efforts to interact with customers via online or mobile apps, and a third plan to increase their business's e-commerce presence.

The survey also asked owners how they handle making payments, with some owners appearing to embrace new technologies or make changes to the types of payments their business accepts. The top form of payment remains cash or check, at 88% of owners choosing this form, followed by mailed payment, at 82%. Thirty-nine percent of business owners reported accepting in-person credit and debit card payments using traditional point-of-sale ter-

minals, which is up from 31% in January 2016. Thirty-three percent accept credit or debit card payments via point-of-sale terminals such as Square, which is up 20% from January 2016. Twelve percent of business owners said they accept digital wallet payments, compared to 5% in January 2016.

Lastly, the fourth-quarter survey asked small-business owners to identify the most important challenges facing their businesses today. Hiring and retaining quality staff was at the top of the list, at 16%, which is up from 13% last quarter and the highest reading for the measure since it was added to the survey in 2013. While hiring remains the top challenge, 32% of business owners reported plans to increase the number of jobs at their business in the next year, the second highest in the 14-year history of the survey. Other top concerns included attracting customers and finding new business, at 11%; taxes, at 11%; government regulations, at 11%; and financial stability/cash flow, at 8%.

The Present Situation Index (how business owners gauge their perception of the past 12 months) declined 2.0 points, to a reading of 43.0, while the future expectations index decreased 1.0 point, to 60.0. Both readings were near their highest levels for each respective index, achieved in April 2007. During the fourth quarter of 2016, the Present Situation Index reported at 24.0 and the future expectations index was at 56.0.

Since August 2003, the Wells Fargo/Gallup Small Business Index has surveyed small-business owners on current and future perceptions of their business's financial situation. The Small Business Index is published once a quarter. This index consists of owners' ratings of their business's current situation and their expectations for the next 12 months, measured in terms of their overall financial situation, revenue, cash flow, capital spending, number of jobs, and ease of obtaining credit. Before the recession and financial crisis of 2008-2009, Small Business Index scores were generally in triple digits. The Small Business Index reached its peak of 114.0 in December 2006 and hit a low of -28.0 in July 2010.

Middle-market business sentiment reached all-time highs in the fourth quarter of 2017, as planned policy reforms boosted middle-market businesses in the final months of 2017 while gaining momentum for the early months in 2018. The RSM U.S. Middle Market Business Index increased 6.5 points in the fourth quarter, to a reading of 132.2. Respondents indicated in the survey that middle-market businesses are positioned well in the economy, evident in the direction of hiring and compensation expectations over the next six months, which are positive and point to a solid expansion. The survey further points out that the top-line data affirm that the middle market is well-positioned heading into 2018, with the risk matrix for competing in a dynamic global economy continuing to include investments in intellectual capital, intellectual property, software, and equipment for the foreseeable future. Overall, business conditions in the middle market remain strong.

U.S. long-term growth maintained a solid rate of growth in the fourth quarter after increasing at an annual rate of 2.6% based on the Bureau of Economic Analysis' advanced estimate of gross domestic product. The fourth-quarter rate is below the 2.8% growth economists polled by Thomson Reuters forecasted, but still a figure representing growth in the economy, although the fourth-quarter growth is down from the third-quarter rate of 3.2%. Looking ahead, the recent passing of new tax reform policies are likely to encourage businesses to increase investments and spending, which could boost GDP figures in 2018.

The manufacturing sector increased 1.5 percentage points in December, as reported by the Institute for Supply Management (ISM). The manufacturing index (PMI) reading in December was 59.7%. The December report highlighted the expansion in new orders and production, but hiring growth recorded a slower rate, and supplier deliveries continued to struggle. PMI is an indicator of the economic health of the manufacturing sector and is based on data compiled from purchasing and supply executives nationwide.

The component of the index that measures new orders increased 5.4 percentage points in December, to 69.4%, and the component for production increased 1.9 percentage points in December, to 65.8%, as the indexes indicated continued growth in new orders and production. Industrial production increased 0.9% in December. The manufacturing component, which is the biggest component of industrial production, increased 0.1% and is up 2.4% from the same period last year. Capacity utilization, which measures how fully companies are deploying their resources, was unchanged in December, at 76.5%, a rate that is 2.0 percentage points below its long-run average.

The services sector grew for the 96th consecutive month, but the nonmanufacturing index fell 1.5 percentage points in December. December's NMI report brings the index to a reading of 55.9%. December marked two consecutive months of declines for the index, but, overall, respondents reported that the year ended on a positive note and expressed optimism for business conditions and the economic outlook going forward. Respondents attributed any slowdown to a typical slowdown in December, which followed a robust fall quarter for the index, particularly when the index recorded its highest level on record, at 60.1% in October. NMI measures the strength of the services sector and is based on data compiled from purchasing and supply executives nationwide.

Four of the five major U.S. stock indexes recorded gains in December, but all indexes ended 2017 with gains. The Dow Jones Industrial Average boasted the strongest gain, moving up 1.9% for the month, resulting in gains of 28.1% during the year. The S&P 500 Index advanced 1.1% and closed the year up 21.8%. The Nasdaq Composite Index recorded a gain of 0.4% and saw the biggest gain in 2017, at 28.2%, while the S&P 500 MidCap 400 rose 0.2% in December and 16.2% in 2017. The Russell 2000 was the lone index to decline in December, falling 0.4%, but finished 2017 up 14.7%. Volatility, as measured by the Chicago Board Options Exchange Volatility Index, recorded a historical year in 2017, as the index recorded a historical low. In addition, the index set a record, when the VIX closed below a reading of 10.0 52 times, which is more time in 2017 than cumulatively in all other years of the index. Volatility ranged from a reading of 8.9 to 14.6 in December and averaged 10.3 on the month.

For most of the quarter, the yield on the benchmark 10-year U.S. Treasury bond remained steady but rose slightly toward the end of the quarter. At the start of the quarter, the 10-year Treasury yield was 2.34%. At the end of the quarter, the rate was 2.40%.

Housing starts dropped by 8.2% in December and are down 6.2% from one year ago. Figures for privately owned housing starts were at a seasonally adjusted annual rate of 1,192,000. Building permits authorized decreased by 0.1% in December but are up 3.5% from the level of a year ago. In December, 295,000 new homes were on the market, an increase of 3.9% and the highest level since April 2009. The stock of new home sales remains well below its peak during the housing market bubble. At December's sales pace, it would take 5.7 months to clear the supply of houses on the market, up from 4.9 months in November.

Existing-home sales declined in December, ending their streak at three consecutive months of gains. December's sales pace fell 3.6% from last month and is 1.1% higher than from one year ago. December's report saw sales of existing homes post a seasonally adjusted annual rate of 5.57 million homes, down from 5.78 million in November. Despite the decline, 2017 ended as the best year for home sales in 11 years.

NAR's Realtors Confidence Index (RCI) for current conditions improved 4.0 points in December. The RCI for single-family houses reported a reading of 66.0 (strong = 100; moderate = 50; weak = 0) but was unchanged over the past 12 months. The RCI is a key indicator of housing market strength based on a monthly survey of over 50,000 real estate practitioners.

The National Association of Realtors' most recent "Commercial Real Estate Outlook," analyzing the third quarter of 2017, found that sales volume in the large-cap commercial real estate market totaled $114.2 billion in the third quarter of 2017, signaling a 9.0% year-over-year decline. Sales of single-asset commercial real estate properties declined 13%, but portfolio sales increased 3.0% in the third quarter. While large-cap markets have experienced declining sales for a year and a half, commercial real estate in small-cap markets continued the upward trend started in the second quarter, advancing 3.6% in the third quarter. In addition, the percentage of Realtors who reported closing transactions was 75.4%, up from 61.0% in the first quarter. The trend also mirrored the larger average transaction value for the quarter, which was $1.8 million versus $876,500 during the first quarter of 2017.

EXHIBIT 2A: Historical Economic Data 2004-2017 and Forecasts 2018-2027

	Historical Data														Consensus Forecasts**					
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023-2027
Real GDP*	3.8	3.3	2.7	1.8	-0.3	-2.8	2.5	1.6	2.2	1.7	2.6	2.9	1.5	2.3	2.7	2.4	2.1	2.1	2.1	2.1
Industrial production*	2.6	3.3	2.2	2.5	-3.6	-11.5	5.5	2.9	2.8	2.0	3.1	-0.7	-1.2	1.8	3.0	2.5	2.5	2.4	2.4	2.3
Consumer spending*	3.8	3.5	3.0	2.2	-0.3	-1.6	1.9	2.3	1.5	1.5	2.9	3.6	2.7	2.7	2.6	2.4	2.3	2.3	2.3	2.3
Real disposable personal income*	3.6	1.5	4.0	2.1	1.5	-0.4	1.0	2.5	3.1	-1.4	3.6	4.2	1.4	1.3	2.7	2.7	2.3	2.2	2.2	2.3
Business investment*	5.2	7.0	7.1	5.9	-0.7	-15.6	2.5	7.7	9.0	3.5	6.9	2.3	-0.6	4.7	5.6	4.6	3.7	3.8	3.8	3.6
Nominal pretax corp. profits*	21.5	15.1	11.4	-7.1	-16.0	8.4	25.0	4.0	10.0	1.7	5.3	-1.1	-2.1	4.9	5.8	3.4	3.4	3.6	3.6	3.9
Total government spending*	1.6	0.6	1.5	1.6	2.8	3.2	0.1	-3.0	-1.9	-2.9	-0.6	1.4	0.8	0.0	0.8	1.0	NA	NA	NA	NA
Consumer price inflation*	2.7	3.4	3.2	2.8	3.8	-0.4	1.6	3.2	2.1	1.5	1.6	0.1	1.3	2.1	2.1	2.2	2.3	2.3	2.3	2.3
3-month Treasury bill rate	1.40	3.22	4.85	4.48	1.40	0.15	0.14	0.05	0.09	0.06	0.03	0.2	0.50	1.40	2.1	2.7	2.9	3.0	3.0	3.1
10-year Treasury bond yield	4.27	4.29	4.80	4.63	3.66	3.26	3.22	2.78	1.80	2.35	2.54	2.2	2.45	2.80	2.9	3.3	3.8	3.9	3.9	4.1
Unemployment rate	5.5	5.1	4.6	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9	3.8	NA	NA	NA	NA
Housing starts (millions)	1.956	2.068	1.801	1.355	0.906	0.554	0.587	0.609	0.781	0.925	1.003	1.112	1.174	1.210	1.280	1.330	NA	NA	NA	NA

Source of historical data: U.S. Department of Commerce, U.S. Department of Labor, U.S. Census Bureau and The Federal Reserve Board.
Source of forecasts: Consensus Forecasts - USA, January 2018.

Notes:
**Numbers are based on percent change from preceding period.*
Historic consumer price inflation, unemployment rate, 3-month Treasury rate, and 10-year Treasury yield are the annual averages.

***Forecast numbers are based on percent change from preceding period (excludes unemployment rate, housing starts, 3-month Treasury rate, and 10-year Treasury yield). Consumer price inflation information is annual averages. The 2018 through 2022 forecasts for the 3-month Treasury rate and 10-year Treasury yield are for the end of each period. Forecasts for 2023-2027 signify the average for that period.*

Consumer spending, also known as personal consumption expenditures, includes spending on services, durable, and nondurable goods.
Business investment is also referred to as nonresidential fixed investment.
Total government spending includes federal, state, and local government spending.

Every month, Consensus Economics surveys a panel of 30 prominent United States economic and financial forecasters for their predictions on a range of variables including future growth, inflation, current account and budget balances, and interest rates.

EXHIBIT 2B: Historical Energy Data 2005-2017 and Forecasts 2018-2019

	Historical Data													EIA Forecasts		% Change	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2018	2019
Brent crude oil spot price*	54.60	65.18	72.49	96.94	61.75	79.64	111.33	111.65	108.56	98.89	52.32	43.74	54.15	59.74	61.43	10.3%	2.8%
West Texas Intermediate crude oil price*	56.65	66.06	72.34	99.67	61.96	79.50	94.90	94.08	97.98	93.17	48.67	43.33	50.79	55.33	57.43	8.9%	3.8%
Heating oil retail price**	219.50	247.30	266.40	350.90	252.40	297.10	365.70	378.60	378.28	371.35	264.92	210.28	254.32	284.23	284.38	11.8%	0.1%
Gasoline regular grade retail price**	227.10	257.60	280.60	325.70	234.90	278.10	352.60	362.70	350.55	336.38	242.83	214.92	241.67	256.83	257.93	6.3%	0.4%
Electricity residential retail price***	9.43	10.40	10.65	11.26	11.51	11.54	11.72	11.88	12.13	12.52	12.65	12.55	12.90	13.22	13.58	2.5%	2.7%
Electricity commerical retail price***	8.72	9.46	9.65	10.26	10.16	10.19	10.23	10.09	10.26	10.74	10.64	10.37	10.68	11.59	11.76	8.5%	1.5%
Electricity industrial retail price***	5.57	6.16	6.39	6.96	6.83	6.77	6.82	6.67	6.89	7.10	6.91	6.75	6.94	7.15	7.22	3.0%	1.0%
Natural gas Henry Hub spot price****	8.81	6.74	6.98	8.86	3.95	4.39	4.00	2.75	3.73	4.39	2.63	2.51	2.99	2.88	2.92	-3.7%	1.4%
Airline Ticket Price Index	236.60	247.30	251.70	282.00	258.00	278.20	304.00	305.00	312.70	307.70	292.23	282.56	276.55	305.39	320.82	10.4%	5.1%
Producer Price Index: Petroleum	1.65	1.93	2.14	2.72	1.76	2.25	2.99	3.07	2.95	2.78	1.76	1.44	1.75	1.88	1.90	7.4%	1.3%
Producer Price Index: all commodities	1.57	1.65	1.73	1.90	1.73	1.85	2.01	2.02	2.03	2.05	1.90	1.85	1.93	1.98	2.01	2.5%	1.8%

Source of historical and forecast data: U.S. Energy Information Administration.

Notes:
**Dollars per barrel*
***Cents per gallon, U.S. average*
****Cents per kilowatthour, U.S. average*
*****Dollars per million Btu*

EXHIBIT 3: Key Economic Variables Actual 2004-2017 and Forecast 2018-2026

Source of historical data: U.S. Department of Commerce, U.S. Department of Labor and The Federal Reserve Board.
Source of forecasts: Consensus Forecasts.

*Numbers are based on percent change from preceding period. Consumer price inflation information is annual averages.

EXHIBIT 4: Economic Indicators Historical Data

Monthly Data	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Real GDP			1.2			3.1			3.2			2.6
Consumer spending			1.9			3.3			2.2			3.8
Business investment			7.2			6.7			4.7			6.8
Total government spending			-0.6			-0.2			0.7			3.0
Exports			7.3			3.5			2.1			6.9
Imports			4.3			1.5			-0.7			13.9
CPI (one-month % change)	0.6	0.1	-0.3	0.2	-0.1	0.0	0.1	0.4	0.5	0.1	0.4	0.1
Unemployment rate	4.8	4.5	4.5	4.4	4.3	4.4	4.3	4.4	4.2	4.1	4.1	4.1
PMI	56.0	57.7	57.2	54.8	54.9	57.8	56.3	58.8	60.8	58.7	58.2	59.7
NMI	56.5	57.6	55.2	57.5	56.9	57.4	53.9	55.3	59.8	60.1	57.4	55.9
HMI	67.0	65.0	71.0	68.0	69.0	66.0	64.0	67.0	64.0	68.0	69.0	74.0
Housing starts (millions)	1.236	1.288	1.189	1.154	1.129	1.217	1.185	1.172	1.159	1.261	1.299	1.192
Building permits (millions)	1.300	1.219	1.260	1.228	1.168	1.275	1.230	1.272	1.225	1.316	1.303	1.302

Notes: Real GDP and subcomponents data only available on a quarterly basis and therefore, are quarterly figures. GDP and its subcomponents, along with housing starts and building permits, are seasonally adjusted at annual rates. PMI is the Institute of Supply Management's Manufacturing Index —any reading above 50.0% suggests growth in the manufacturing economy, whereas a reading below 50.0% indicates contraction. NMI is the Institute of Supply Management's Non-Manufacturing Index, which measures the strength of the services sector—any reading above 50.0% suggests growth, whereas a reading below 50.0% indicates contraction. HMI is the National Association of Home Builders/Wells Fargo Housing Market Index—any reading over 50 indicates that more builders view sales conditions as good than poor.

Quarterly Data	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15	4Q 15	1Q 16	2Q 16	3Q 16	4Q 16
Real GDP	-0.9	4.6	5.2	2.0	3.2	2.7	1.6	0.5	0.6	2.2	2.8	1.8
Consumer spending	1.9	3.5	3.9	5.1	3.7	3.0	2.8	2.7	1.8	3.8	2.8	2.9
Business investment	7.2	9.4	10.5	-2.3	2.2	2.9	1.5	-5.1	-4.0	3.3	3.4	0.2
Total government spending	-0.6	1.1	2.1	-0.6	1.5	3.4	1.2	0.3	1.8	-0.9	0.5	0.2
Exports	-2.4	9.2	0.6	4.9	-4.5	3.7	-4.0	-2.3	-2.6	2.8	6.4	-3.8
Imports	5.0	10.2	-1.0	10.8	6.7	3.3	1.7	0.0	-0.2	0.4	2.7	-3.4
CPI (3-month % change)	0.5	0.4	0.2	-0.5	-0.1	0.6	0.0	0.2	0.1	0.7	0.3	0.3
Unemployment rate	6.6	6.1	5.9	5.6	5.5	5.3	5.1	5.0	5.0	4.9	4.9	4.7
PMI	55.1	55.3	55.8	54.9	52.3	53.1	50.0	48.0	51.8	53.2	51.5	54.5
NMI	53.9	56.7	57.9	56.9	56.9	56.2	56.7	55.8	54.5	56.5	57.1	56.6
HMI	46.0	49.0	59.0	58.0	52.0	60.0	61.0	60.0	58.0	60.0	65.0	69.0
Housing starts (millions)	0.973	0.928	0.999	1.081	0.974	1.201	1.209	1.138	1.128	1.190	1.062	1.268
Building permits (millions)	1.078	1.015	1.062	1.070	1.079	1.363	1.125	1.218	1.115	1.193	1.270	1.266

Notes: Unemployment rate, housing starts, building permits, PMI, NMI, and HMI are readings from the last month of the quarter. GDP and its subcomponents, along with housing starts and building permits, are seasonally adjusted at annual rates.

Yearly Data	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real GDP	2.7	1.8	-0.3	-2.8	2.5	1.6	2.2	1.7	2.6	2.9	1.5	2.3
Consumer spending	3.0	2.2	-0.3	-1.6	1.9	2.3	1.5	1.5	2.9	3.6	2.7	2.7
Business investment	7.1	5.9	-0.7	-15.6	2.5	7.7	9.0	3.5	6.9	2.3	-0.6	4.7
Total government spending	1.5	1.6	2.8	3.2	0.1	-3.0	-1.9	-2.9	-0.6	1.4	0.8	0.1
Exports	9.0	9.3	5.7	-8.8	11.9	6.9	3.4	3.5	4.3	0.4	-0.3	3.4
Imports	6.3	2.5	-2.6	-13.7	12.7	5.5	2.2	1.1	4.5	5.0	1.3	3.9
Consumer Price Index	3.2	2.8	3.8	-0.4	1.6	3.2	2.1	1.5	1.6	0.1	1.3	2.1
Unemployment rate	4.6	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4
Housing starts (millions)	1.801	1.355	0.906	0.554	0.587	0.609	0.781	0.925	1.003	1.112	1.174	1.202
Building permits (millions)	1.838	1.398	0.905	0.583	0.605	0.624	0.830	0.991	1.052	1.183	1.190	1.263

Notes: Yearly Consumer Price Index rates and yearly unemployment rates are the annual average rates.

Personal consumption includes spending on services and durable and nondurable goods.
Government spending includes federal, state, and local government spending.
As the government issues revised data, some historical reported figures may have changed.

Source of data: U.S. Department of Commerce, U.S. Department of Labor, U.S. Census Bureau, The Federal Reserve Board, the Institute of Supply Management, and the National Association of Home Builders.

ECONOMIC OUTLOOK

Consensus Economics Inc., publisher of Consensus Forecasts—USA, reports that the consensus of U.S. forecasters believe that real GDP will increase at a seasonally adjusted annual rate of 2.5% in the first quarter of 2018 and 2.8% in the second quarter of 2018. Every month, Consensus Economics surveys a panel of 30 prominent U.S. economic and financial forecasters for their predictions on a range of variables, including future growth, inflation, current account and budget balances, and interest rates. The forecasters expect GDP to be 2.7% in 2018 and 2.4% in 2019.

They forecast that consumer spending will increase at a rate of 2.4% in the first quarter of 2018 and 2.7% in the second quarter of 2018. They expect consumer spending to increase 2.6% in 2018 and 2.4% in 2019.

The forecasters believe unemployment will average 4.0% in the first quarter of 2018 and 4.0% in the second quarter of 2018. They predict that unemployment will average 3.9% in 2018 and 3.8% in 2019.

The forecasters believe that the three-month Treasury bill rate will be 1.5% at the end of the first quarter of 2018 and 1.7% at the end of the second quarter of 2018. They predict the 10-year Treasury bond yield will be 2.6% at the end of the first quarter of 2018 and 2.7% at the end of the second quarter of 2018.

They also believe consumer prices will rise at a rate of 2.2% in the first quarter of 2018 and 1.8% in the second quarter of 2018. They expect consumer prices to increase 2.1% in 2018 and 2.1% in 2019. They expect producer prices to increase at a rate of 1.9% in the first quarter of 2018 and 1.8% in the second quarter of 2018. The forecasters anticipate producer prices will rise 2.2% in 2018 and 1.9% in 2019.

The forecasters believe real disposable personal income will rise at a rate of 4.6% in the first quarter of 2018 and 2.9% in the second quarter of 2018. They believe real disposable personal income will increase 2.7% in 2018 and 2.7% in 2019.

The forecasters expect industrial production to increase at a rate of 3.0% in the first quarter of 2018 and 2.8% in the second quarter of 2018. They forecast that industrial production will increase 3.0% in 2018 and 2.5% in 2019.

Nominal pretax corporate profits are expected to rise 5.8% in 2018 and 3.4% in 2019. The forecasters also project housing starts will be 1,280,000 in 2018 and 1,330,000 in 2019.

The most recent release of The Livingston Survey (the Survey) predicts higher growth for the second half of 2017 than had been predicted in its prior survey. The Survey, conducted by the Federal Reserve Bank of Philadelphia, is the oldest continuous survey of economists' expectations. It summarizes the forecasts of economists from industry, government, banking, and academia. The participants project real GDP to grow at an annual rate of 2.5% in the first half of 2018 and 2.4% in the second half of 2018. They believe that GDP will grow 2.18% annually over the next 10 years.

The Survey forecasted the unemployment rate to be 4.1% in December 2017 and to fall to 4.0% by June 2018. The unemployment rate is expected to be 3.9% in December 2018.

The forecasters in the Survey expected consumer price inflation (CPI) to be 2.2% in June 2018 and 2.3% in December 2018. The Survey expects CPI to average 2.34% over the next 10 years. The Survey also expects producer price inflation (PPI) to be 2.2% in June 2018 and 2.0% in December 2018.

The Survey predicted the interest rate on three-month Treasury bills will be 1.3% at the end of December 2017. From there, the forecasters expect that the rate will increase to 1.60% in June 2018, to 1.88% in December 2018, and to 2.41% in December 2019. They predicted the interest rate on 10-year Treasury bonds to reach 2.45% at the end of December 2017. According to the Survey, the rate will then rise to 2.45% in December 2017, to 2.75% in June 2018, to 3.00% in December 2018, and to 3.35% in December 2019.

The forecasters have increased their previous projections for future S&P 500 index values. They expected the S&P 500 index will sit at 2,644.8 by the end of December 2017, 2,739.8 at the end of June 2018, 2,805.0 at the end of December 2018, and 2,980.0 at the end of December 2019.

The Energy Information Administration (EIA) predicts that the West Texas Intermediate crude oil spot price will average approximately $55.53 per barrel in 2018 before rising to $57.43 per barrel in 2019, compared with $50.79 per barrel in 2017. The EIA expects retail prices for regular-grade gas to average $2.57 per gallon in 2018 and rise to $2.58 per gallon in 2019, compared with $2.42 per gallon in 2017.

The Energy Information Administration believes the Henry Hub natural gas spot price will average $2.99 per million Btu (MMBtu) in 2018 and $3.03 per MMBtu in 2019, compared with $3.10 per MMBtu in 2017. The cost of coal delivered to electricity-generating plants, which averaged $2.10 per MMBtu in 2017, is expected to average $2.21 per MMBtu in 2018 and $2.21 per MMBtu in 2019. Residential electricity prices, which averaged 12.92 cents per kilowatt-hour (kWh) in 2017, are expected to average 13.22 cents per kWh in 2018 then rise to 13.58 cents per kWh in 2019. The airline ticket price index, which averaged 276.55 in 2017, is expected to be 305.39 in 2018 before rising to 320.82 in 2019.

The National Association of Realtors' Realtors Confidence Index for future conditions increased 6.0 points in December, to 77.0, and is above the reading of 76.0 points from one year ago. The reading remains at an optimistic level. The RCI for the outlook of single-family homes remained unchanged in December, at 66.0, but remained ahead from one year ago, when it was at 62.0 (strong = 100; moderate = 50; weak = 0). The RCI for the outlook for townhomes increased one point, to a reading of 56.0, while the outlook for condos remained unchanged in December, at 53.0. The RCI is a key indicator of housing market strength based on a monthly survey of over 50,000 real estate practitioners. Practitioners are asked about their expectations for home sales, prices, and market conditions.

NAR projects existing-home sales in 2018 to be 5.520 million before increasing to 5.710 million (+3.4%) in 2019. It believes that new single-family home sales will be 700,000 (+13.6%) in 2018, before increasing to 750,000 (+7.1%) in 2019. NAR believes the median existing-home price will be $252,900 (+2.1%) in 2018, before increasing to $262,000 (+3.6%) in 2019. NAR believes the median new-home price will decrease to $315,300 (-0.2%) in 2018, before rising to $320,400 (+1.6%) in 2019. It expects housing starts to increase to 1,312,000 (+8.9%) in 2018, then to 1,380,000 (+5.2%) in 2019. NAR believes the 30-year fixed mortgage rate will average 4.4% in 2018, before rising to 4.8% in 2019, and the 5-1 hybrid adjustable rate mortgage will average 3.6% in 2018 and 3.9% in 2019.

The most recent three-year outlook from the Urban Land Institute (ULI) and Ernst & Young (EY) found that real estate economists and analysts believe the economy will continue to expand over the next three years, though they expect employment growth to slow and the unemployment rate to plateau as the economy reaches full employment. The ULI/EY Real Estate Consensus Forecast, a semiannual publication, is based on a survey of 48 of the industry's top economists and analysts representing 34 of the country's leading real estate investment, advisory, and research firms and organizations. The forecast for each indicator is the median forecast from the 48 survey respondents. The key findings from the Real Estate Consensus Forecast include:

- Annual commercial property transaction volume is expected to decline to $450 billion in 2017 and $414 billion by 2019, ending six years of growth. Still, these are among the highest annual volumes and remain well above the long-term average.
- The issuance of commercial mortgage-backed securities (CMBS), a key source of financing for commercial real estate, declined in 2016, to $76 billion. Issuance is expected to remain essentially level in 2017, 2018, and 2019, at $80 billion.
- Commercial real estate prices are projected to grow at subdued and relatively slowing rates relative to recent years, at 5.0% in 2017, 4.1% in 2018, and 3.0% in 2019. These are all below the long-term average growth rate of 5.7%.
- Institutional real estate assets are forecasted to provide total returns of 6.6% in 2017, moderating to 6.0% in 2018 and 5.8% in 2019. By property type, 2017 returns are expected to range from 10.6% for industrial to 5.7% for apartments. Total returns in 2019 are expected to range from 7.0% for industrial to 5.0% for office.
- Both availability and vacancy rates for three sectors are expected to be essentially flat in 2017 from their 2016 rates, before edging up in 2018 and 2019. The exception is the industrial sector, whose vacancy rates are expected to continue their seven-year decline in 2017 and stay at that level in 2018, before edging up in 2019. The hotel occupancy rate is forecast to increase slightly in 2017 and decline slightly in 2018 and 2019.
- Commercial property rent is expected to continue to increase in the next three years across all sectors, although at more subdued rates than in recent years. In 2017, rent increases in the four major property types will range from 1.9% for retail to 4.5% for industrial. Rent increases in 2019 are forecasted to range from 1.5% for retail to 3.0% for industrial. Hotel RevPAR is expected to increase by 3.0% in 2017 and 2.4% in 2019.
- Single-family housing starts are projected to increase from 781,500 units in 2016 to 960,000 units in 2019, remaining slightly below the 20-year annual average.

Source

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INDUSTRY SUMMARY

Both consumers and businesses have embraced online marketplaces as an ideal setting for addressing key business needs. Revenue for the E-Commerce and Online Auctions industry is expected to rise at considerable annualized rate of 10.1% over the five years to 2016, reaching $294.6 billion in 2016. However, as the growth of number of mobile internet connections slows late in the period, industry revenue growth will significantly slow and only rise by 5.5% in 2016. Due to online shopping's increasing popularity and the ease of starting an online store, many new online retailers have entered the market. These new enterprises include small operators, such as artists looking to sell their artwork online, and even new types of business models, such as subscription-box services and social commerce companies like Groupon. As more enterprises enter the market, competition has significantly increased over the five years to 2016. Due to rising competition, companies have had to differentiate themselves from competitors by increasing marketing efforts, offering free or discounted shipping or selling unique and hard to find products. In the five years to 2021, slowed growth in the number of mobile internet connections is expected to depress industry revenue growth, despite increasing per capita disposable income growth. Consequently, IBISWorld estimates revenue growth over the next five years to slow to an annualized 4.4%, with revenue reaching $366.2 billion in 2021. As revenue continues to increase, the number of enterprises is also expected to rise, albeit at a slower rate than in the five years to 2016. To effectively compete in this competitive market, companies will need to continue to differentiate themselves from competitors using targeted marketing campaigns, interesting products and new technology like chatbots. In addition to rising competition, profit is also expected to fall over the five years to 2021 due to increasing shipping costs from a correction in the price of oil. However, the use of new technology, such a voice-to-pick systems in warehouses, can increase companies' efficiency and help maintain operators' profit margin.

MAJOR PRODUCTS

Clothing, footwear and accessories

Clothing, footwear and accessories, excluding jewelry, are popular goods to buy online because consumers can compare items and prices from many different retailers. As online shopping increases in popularity, clothing retailers have sought to increase their online sales by offering special discounts or items that cannot be found in stores and only purchased online. Additionally, marketing and technology innovation has also helped drive sales. For example, J.Crew uses a data-driven marketing approach to drive sales. Additionally, H&M recently began using chatbots to reach out to customers on the mobile application Kik. Chatbots are software that communicates with consumers via voice or message and is designed to sound like a human. H&M's chatbot asks customers questions about their style and then suggests items that the customer might like. Due to retailers push to increase online sales, the clothing, footwear and accessories segment has grown to account for an estimated 18.4% of total industry revenue in 2016.

Computers and TVs

The computer and electronics segment includes computer hardware; software; electronics, such as TVs, DVD players and appliances like blenders and fans. Purchasing items such as computers, TVs and fans online have been popular because consumer can compare products to find the exact item they are looking for. Additionally, online shopping can save consumers the hassle of having to carry an item home, which is especially important in big cities where consumers may not have a car. However, despite these facts, during the five-year period, this segment

has shrunk significantly from 23.3% in 2011 to an estimated 18.0% in 2016. Although revenue from the segment increased during the period, growth was slow due to the fact that many consumers prefer to purchase expensive items, like the ones in this category, from brick-and-mortar stores. By purchasing items in store, consumers can test out items and ensure they like the product.

Sporting goods, toys, hobby items and games

Another popular product group sold by online retailers includes sporting goods, toys, hobby items and games. Consumers will purchase these items online to get a good deal or because the particular item they want is not available locally. In the past five years, sales of these items have grown to 7.2% of industry revenue thanks to rising disposable income levels.

Other

Smaller product groups include: medication and cosmetics; office equipment and supplies; and food and beverages. Sales of medication and cosmetics have remained fairly constant as a share of revenue at 7.4%, up slightly from 7.0% in 2011. Office equipment and supplies decreased to 3.0% of total industry revenue in 2016. Although companies can cut costs by purchasing products through less costly online retail channels, fast growth in other product segments decreased the office equipment and supplies group as a percentage of industry revenue. Sales of food and beverages, including groceries and ready-to-eat food, on the web have increased slightly over the past five years to account for 2.5% of total revenue. Although a variety of online food and beverage companies, such as FreshDirect, Maple, Seamless, Blue Apron and Drizzly, have gained popularity, many of these companies are still startups and do not operate nationwide. Additionally, purchasing food at brick-and-mortar establishments allows consumers to ensure that they are getting fresh products. There is also a variety of other products sold online, including lawn and garden equipment, auto parts, hardware, jewelry, antiques and collectibles. This product group has grown to encompass 34.0% of total industry revenue due to increased consumer acceptance of online purchasing. Additionally, because of the myriad of products in this category, downturns in one segment are often mitigated by other segments.

MAJOR MARKETS

Consumers with incomes under $50k

Consumers within the lowest income segment are expected to account for 25.5% of industry revenue, respectively. Such consumers have limited disposable incomes and are more likely to dedicate their income to essential items such as groceries that are less likely to be purchased online. Nonetheless, many consumers within this segment leverage online sites to easily compare prices for electronics and other related items.

Consumers with incomes between $50-99k

Consumers within incomes between $50-99k are anticipated to the majority of industry revenue at 40.1% of the total. Such consumers benefit from higher disposable income, leading to stronger demand. Moreover, this income segment accounts for a large share of the population.

Consumers with incomes of $100k or more

Consumers in the highest income segment are estimated to account for 34.4% of industry revenue. Such consumers benefit from the highest disposable incomes levels and are consequently able to purchase more price-premium products online. Such consumers are also typically time-strapped and prefer to save time through shopping online.

OPERATING CONDITIONS

CAPITAL INTENSITY

The E-Commerce and Online Auctions industry has a moderate level of capital intensity. IBISWorld estimates that for every dollar spent on wages, industry operators will spend $0.15 in capital investment in 2016. Capital investment is mainly in software, warehouse space, computer equipment and warehouse fixtures. Over the past five years, capital intensity has increased due to the rising use of big data and software, which help operators target the right customer segments with relevant and engaging messages and ensure that companies are matching their products to current trends. Additionally, operators have been implementing more technology in their warehouses, such as handheld devices for pickers and voice-to-pick software, which increases pickers' speed and allows company to ship their products faster. For more information on these technologies, see the Technology and Systems section of the report. Industry operators also outlay capital on technology to establish, implement and maintain their websites. Requirements for establishing and maintaining databases include computers, printers, software programs for an electronic payment system and firewalls. Operators may also incur capital expenditure though purchasing and maintaining vehicles for delivering goods. The level of capital intensity in the industry is depressed by the large number of nonemployers that sell small product batches and do not require extensive warehouse equipment. Labor costs are mainly incurred through hiring staff to fulfill orders and white-collar workers for larger companies. Usually, only a low level of education or training is required to work in a warehouse. While capital costs are low, wage costs are also relatively low because online stores do not require sales staff to checkout customers. Larger companies require more skilled white-collar workers in media, IT and business intelligence to maintain the company. The higher skills of white collar-workers glean a larger salary and inflate the average industry wage.

REVENUE VOLATILITY

Revenue volatility has been low amid rising demand and the economic recovery, therefore, leading to strong growth over the five-year period. E-Commerce and Online Auctions industry revenue is expected to continue expanding over the next five years. Furthermore, operators in this industry compete for a share of consumers' discretionary income, which is highly dependent on changes in employment levels and consumer confidence, all of which have constantly increased in the past five years. Per capita disposable income also rose over the five-year period, except for a slight decrease in 2013.

REGULATION

The most prominent regulation affecting the E-Commerce and Online Auctions industry in recent years has been the Streamlined Sales and Use Tax Agreement organized by the Streamlined Sales Tax Governing Board. The agreement is the result of the cooperative efforts of most states and the business community. It was drafted in hopes of minimizing the costs and administrative burden on retailers that collect sales and use taxes across multiple states. The agreement requires online retailers to collect sales tax from customers living in states that have passed the agreement. With the rising popularity of online shopping and many US states seeking to increase revenue, more and more states have been passing legislation to conform to the agreement in recent years. Currently, 24 states have passed legislation confirming the agreement. Industry operators are also governed by the Federal Trade Commission's Mail, Internet or Telephone Order Merchandise rule, which requires that retailers use methods that enable

the shipment of goods within 30 days of a product's order. The rule also requires retailers to notify consumers of any delays that would postpone shipment beyond the 30-day window. The Federal Trade Commission (FTC) also enforces online privacy laws to ensure consumers' sensitive information, such as names, addresses and social security and credit card numbers, are protected. Additionally, online advertising and marketing laws, such as truth-in-advertising standards, guard consumers against false advertising.

INDUSTRY STRUCTURE

BARRIERS TO ENTRY

Prospective operators can establish e-commerce sites without much difficulty. This industry has a low level of concentration and is highly fragmented, with a large number of small and independent players dominating the industry. These two characteristics are reflective of low barriers to entry; nonetheless, incumbent operators can still benefit from the reputations they have established as reliable operators who supply merchandise of an acceptable quality. Existing operators have also had to gain the trust of consumers with regard to providing secure websites for personal information, such as credit card details. The initial and continuing costs required to establish an electronic shopping site have continued to decrease over the past five years. Online shopping platforms such as Shopify allow prospective operators to develop an e-commerce site with minimal technical skills. The functionality and features of such sites is expected to continue improving over the next five years, further lowering the industry's barriers to entry. Product differentiation between a traditional retailer and an online retailer is typically nonexistent. As a result, retailers operate in a highly competitive environment. A low level of product differentiation is likely to make it difficult for operators to establish a niche market. The pre-established distribution networks between operators and suppliers may, in some cases, be viewed as a barrier to entry. Existing operators benefit from the relationships they have built with their suppliers. As such, they may be offered better lines of credit and low-priced, high-quality stock compared with players new to the industry. New players will need to invest heavily in marketing and advertising to direct traffic to their site. Successful retailers also ensure customer loyalty and repeat buyers through a superior online shopping experience. Those that choose to match the low prices offered by established online retailers will suffer a decline in profitability. Some players limit price pressures by selling niche products not retailed by major companies.

COMPETITIVE LANDSCAPE

MARKET SHARE CONCENTRATION

The E-Commerce and Online Auctions industry is highly fragmented with a low level of market share concentration. Amazon has nonetheless managed to capture a considerable share of the market. While merger and acquisition activity is prevalent among larger firms, low barriers to entry have encouraged several small nonemployers to enter the industry. Large companies are buying up smaller ones that offer innovative technologies and services. Further, acquisitions allow major players to expand their product mix to reach a wider customer base.

COMPETITION

Due to the online-based nature of this industry, consumers are not able to physically examine products before buying them. Hence, the more product details operators provide, the more closely they mimic the traditional shopping experience. Although online store and auction operators cannot control freight charges, an effective marketing technique has been able to absorb a percentage or even all of the cost in delivery to the consumer. Retailers that are able to offer free or discounted shipping and handling appear more competitive and attractive to prospective customers. Mode of delivery also becomes an important aspect of competition because purchases such as wine, groceries and large or fragile goods can have very specific shipping needs. Furthermore, consumers must divulge personal details, such as an address and credit card number, for delivery of goods. Consumers entrust retailers with this information with the belief that it will not be forwarded to a third-party without their consent. Each operator's return and refund policy should be clearly outlined to consumers at the time of purchase. As with traditional brick-and-mortar retailers, consumers should know whom to contact in the event a return or refund is necessary. The reputation of an operator has a significant impact on repeat buyers. Due to the absence of a physical shop front, consumer awareness of online retailers comes from media advertising and, more importantly, from word-of-mouth recommendations. External competition Online retailers compete with players in other industries, such as brick-and-mortar department stores and big-box retailers. Such external competition is based on efficiency, price and product availability.

GLOBALIZATION

Most industry participants are US-owned and earn their revenue domestically. Nonetheless, global connectivity has encouraged many online retailers to expand their services internationally. For example, Amazon.com and eBay both operate on an international scale. Companies aiming to expand internationally must comply with varying regulatory and tax standards in each country, along with managing international shipping logistics. Such barriers have limited industry globalization during the period.

STAGE OF DEVELOPMENT

SELECTED STAGE OF DEVELOPMENT: STAGE FOUR

The American Institute of Certified Public Accountants (AICPA) defines six stages of enterprise development:

STAGE ONE

Enterprise has no product revenue to date and limited expense history, and typically an incomplete management team with an idea, plan, and possibly some initial product development. Typically, seed capital or first-round financing is provided during this stage by friends and family, angels, or venture capital firms focusing on early-stage enterprises, and the securities issued to those investors are occasionally in the form of common stock but are more commonly in the form of preferred stock.

STAGE TWO

Enterprise has no product revenue but substantive expense history, as product development is underway and business challenges are thought to be understood. Typically, a second or third round of financing occurs during this stage. Typical investors are venture capital firms, which may provide additional management or board of directors expertise. The typical securities issued to those investors are in the form of preferred stock.

STAGE THREE

Enterprise has made significant progress in product development; key development milestones have been met (for example, hiring of a management team); and development is near completion (for example, alpha and beta testing), but generally there is no product revenue. Typically, later rounds of financing occur during this stage. Typical investors are venture capital firms and strategic business partners. The typical securities issued to those investors are in the form of preferred stock.

STAGE FOUR

Enterprise has met additional key development milestones (for example, first customer orders, first revenue shipments) and has some product revenue, but is still operating at a loss. Typically, mezzanine rounds of financing occur during this stage. Also, it is frequently in this stage that discussions would start with investment banks for an IPO.

STAGE FIVE

Enterprise has product revenue and has recently achieved breakthrough measures of financial success such as operating profitability or breakeven or positive cash flows. A liquidity event of some sort, such as an IPO or a sale of the enterprise, could occur in this stage. The form of securities issued is typically all common stock, with any outstanding preferred converting to common upon an IPO (and perhaps also upon other liquidity events).

STAGE SIX

Enterprise has an established financial history of profitable operations or generation of positive cash flows. An IPO or sale of the enterprise could also occur during this stage.

VALUATION METHODOLOGIES

In valuing the FMV of Loot Crate, Inc.'s common stock, Carta Valuations LLC has considered the three generally accepted valuation approaches as recommended by the American Institute of Certified Public Accountants (AICPA).

In its Valuation of Privately-Held-Company Equity Securities Issued as Compensation publication, the AICPA outlines three approaches to determining fair market value: market approach, income approach, and asset approach.

MARKET APPROACH

According to the AICPA, the **market approach** is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business. The market approach derives value based on the value implied by these other similar enterprises or transactions. Using this approach, Carta Valuations LLC would examine investments by unrelated parties or examine transactions in enterprises with equity securities similar to Loot Crate, Inc.. Within the market approach, Carta Valuations LLC considers three valuation methods:

- **Guideline Public Company Method**
- **Guideline Company Transactions Method**
- **Subject Company Transactions Method**

GUIDELINE PUBLIC COMPANY METHOD

Relevant market multiples from the guideline comparable public companies are developed using metrics such as revenue and earnings before interest, taxes, depreciation and amortization (EBITDA).

GUIDELINE TRANSACTIONS METHOD

This methodology utilizes valuation multiples based on actual transactions that have occurred in the subject entity's industry or related industries to arrive at an indication of value. These derived multiples are then adjusted and applied to the appropriate operating data of the subject entity to arrive at an indication of value.

SUBJECT COMPANY TRANSACTIONS METHOD

The method is useful for valuators when there has been a recent transaction in the company's own securities. At a fundamental level, the Subject Company Transactions Method answers the singular question:

> *What would the total value of the enterprise need to be, in order for a third-party investor to invest at the given per-share price, accounting for all liquidation preferences and seniorities for all share classes in the enterprise?*

In other words, given that an investment occurred, the method outputs the implied total value of the enterprise if the valuation accounts for all share class rights and preferences, as of the date of the latest financing.

According to the AICPA, the backsolve is the most reliable indicator of enterprise value for early-stage customers, provided that the relevant transactions in the enterprise's shares have occurred at **arm's length***.

The Subject Company Transactions Method considers the various terms of an enterprise's stockholder agreements that would affect the distributions to each class of equity upon a liquidity event as of the future liquidation date, including:

- the level of seniority among securities,
- dividend policy,
- conversion ratios,
- and cash allocations.

*Arm's length transaction: A transaction that was entered into by informed but unrelated market participants, simultaneously seeking the best terms possible.

*Note: In many situations, the transactions are not done at arm's length. It is still possible to perform the valuation in these cases, but additional considerations need to be made.

INCOME APPROACH

According to the FASB ASC glossary, the Income Approach is defined as a:

> *"Valuation technique that converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount."*

This approach finds conceptual support in the basic assumption that the value of an enterprise is represented by the aggregate expectations of future income and cash flows.

DISCOUNTED CASH FLOW METHOD

The income approach converts future cash flows to a single, current discounted amount. The fair value measurement is estimated on the basis of the value indicated by current market expectations about those future cash flow amounts. The DCF method converts these future cash flows to their present value using a specific discount rate that factors in the time value of money and any measurable level of risks associated with the business.

WACC CALCULATION

The Weighted Average Cost of Capital ("WACC") is the rate of return specific to the enterprise being valued that reflects the risk of investment in said enterprise. In general, the higher the WACC, the higher an investor's expected return would be for an investment in the enterprise. When performing a Discounted Cash Flow analysis, Carta Valuations LLC computes an enterprise-specific WACC using the Capital Asset Pricing Model ("CAPM").

The CAPM formula is defined as follows:

$$R_E = R_F + B * (R_M) + SP + CP$$

Where:

R_e = Return on equity

R_f = Risk-free rate

β = Beta

R_m = Market risk premium

SP = Small company size premium

CP = Company-specific risk premium

SMALL COMPANY RISK PREMIUM

Given that most of the comparable public companies are much larger than the enterprise being valued, we apply an additional risk premium to the cost of equity calculation to reflect the additional premium that investors would require to invest in small cap public stocks.

COMPANY-SPECIFIC RISK PREMIUM

To capture the added risk involved in investing in smaller, less profitable, and less mature companies, an additional company specific risk premium is applied to the cost of equity calculation. This risk premium reflects the additional risk associated with the enterprise's revenue relative to the market at large.

ASSET APPROACH

Among the three valuation approaches discussed, the AICPA considers the Asset Approach in most circumstances to be the weakest valuation method from a conceptual standpoint. Typically this approach would only be used when valuing enterprises that:

- are in the very early stages of development,
- have not yet raised any arms-length financing,
- or when there is a limited (or no) basis for the application of the Income Approach or the Market Approach.

COST TO RECREATE METHOD

This method defines an enterprise's fair market value as the sum total of the enterprise's assets minus the sum total of the corresponding liabilities. In the case that an enterprise's assets are not sufficiently captured on its balance sheet, the **cost to recreate** method assumes that the enterprise's fair market value is consistent with the replacement cost (i.e. **cost to recreate**) of the enterprise's assets.

EQUITY VALUE ALLOCATION

After calculating the total value of the enterprise, valuators must then allocate the value to the various classes of securities in the capital structure. The generally accepted methods of equity allocation are explained below.

CURRENT VALUE METHOD (CVM)

The Current Value Method allocates enterprise value to the various series of an enterprise's preferred stock based on the respective liquidation preferences or conversion values, in accordance with the terms of the enterprise's Articles/Certificate of Incorporation.

This approach involves allocating the company's current value among the various capital owners based on their respective liquidation preferences and conversion, dividend, and other rights under the assumption that all capital owners act in a manner that maximizes their financial return. Unlike the OPM and the PWERM approaches, this methodology is not forward-looking, and therefore fails to consider the possibility that the value of the company and the individual share classes will increase or decrease between the valuation date and a future date when the common shareholders receive a return on their investment (e.g., through a liquidity event such as an IPO or sale/merger). Per the AICPA guidelines:

> *"Because the CVM focuses on the present and is not forward looking, the task force believes its usefulness is limited primarily to two types of circumstances. The first occurs when a liquidity event in the form of an acquisition or dissolution of the enterprise is imminent, and expectations about the future of the enterprise as a going concern are virtually irrelevant. The second occurs when an enterprise is at such an early stage of its development that (a) no material progress has been made on the enterprise's business plan, (b) no significant common equity value has been created in the business above the liquidation preference on the preferred shares, and (c) no reasonable basis exists for estimating the amount and timing of any such common equity value above the liquidation preference that might be created in the future."*

OPTION PRICING MODEL

This approach allows for the allocation of the determined value of the company among the various equity capital owners (preferred and common shareholders). The OPM uses the preferred shareholders' liquidation preferences, participation rights, dividend policy, and conversion rights to determine how proceeds from a liquidity event shall be distributed among the various ownership classes at a future date. Per the AICPA guidelines:

> *"The OPM treats common stock and preferred stock as call options on the company's value, with exercise prices based on the liquidation preferences of the preferred stock. Under this method, the common stock has value only if the funds available for distribution to shareholders exceed the value of the liquidation preferences at the time of a liquidity event (for example, a merger or sale), assuming the enterprise has funds available to make a liquidation preference meaningful and collectible by the shareholders. The common stock is modeled as a call option that gives its owner the right, but note obligation, to buy the underlying value at a predetermined or exercise price. In the model, the exercise price is based on a comparison with the value rather than, as in the case of a "regular" call option, a comparison with a per-share stock price. Thus, common stock is considered to be a call option with a claim on the equity at an exercise price equal to the remaining value immediately after the preferred stock is liquidated."*

PROBABILITY WEIGHTED EXPECTED RETURN

This approach involves the estimation of future potential outcomes for the company, as well as values and probabilities associated with each respective potential outcome. The common stock per share value determined using this approach is ultimately based upon probability-weighted per share values resulting from the various future scenarios, which can include an IPO, merger or sale, dissolution, or continued operation as a private company. Per the AICPA guidelines:

> *"Under a PWERM, the value of the various equity securities are estimated based upon an analysis of future values for the enterprise, assuming various future outcomes. Share value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each share class."*

OPTION PRICING MODEL

Carta Valuations LLC estimated the fair market value of Loot Crate, Inc. common stock using the Option Pricing Model (OPM).

One of the most common AICPA-approved methods to value private companies with complex capital structures is the Option Pricing Model. The Option Pricing Model (OPM) treats each share class as a call option on the value of the entire firm, with exercise prices based on the liquidation preferences of the preferred stock. One notable benefit to using the OPM is that it accounts for the economic rights often seen in venture-capital backed preferred shares, including preferred liquidation preferences and payout seniority. In this method, each share class only has value if the funds available for distribution to shareholders exceed the value of the liquidation preferences at the time of a liquidity event for each of the prior share classes in a company's cap table.

Using the OPM, the common stock is modeled as a call option that gives its owner the right, but not the obligation, to buy the underlying value at a predetermined price. The considered "price" of these common-stock "call options" is based on the value of the entire enterprise at specific values ('breakpoints'). Thus, the common stock is considered to be a call option with a claim on the equity at an exercise price equal to the remaining value immediately after all share classes with lower-numbered liquidation seniority have liquidated. Carta Valuations LLC utilizes the Black-Scholes-Merton Option Pricing Model.

OPTION PRICING MODEL CONSIDERATIONS

The OPM considers the various terms of an enterprise's stockholder agreements that would affect the distributions to each class of equity upon a liquidity event as of the future liquidation date, including:

- the level of seniority among securities,
- dividend policy,
- conversion ratios,
- and cash allocations.

Option pricing model inputs

The Option Pricing Model relies on four inputs:

- the total value of the enterprise,
- the expected time to exit,
- the risk free rate of interest as of the valuation date,
- the volatility derived from similar publicly traded companies.

The formula for the Option Pricing Model is as follows:

$$C = S_0\, e^{-qt} * N(d_1) - X\, e^{-rt} * N(d_2)$$

Where:

- S_0 = Total value
- X = Breakpoint value
- q = Continuously compounded dividend yield
- t = Time to exit (years)
- σ = Volatility
- r = Risk free rate

and d_1 and d_2 are defined as:

$$d_1 = \frac{ln(\frac{S_0}{X}) + t\,(r - q + \frac{\sigma^2}{2})}{\sigma\sqrt{t}}$$

$$d_2 = d_1 - \sigma\sqrt{t}$$

VOLATILITY ASSUMPTIONS

Volatilities are estimated using historical daily pricing data, provided by CapIQ, for the selected comparable companies. The historical pricing data is gathered for a look-back period that matches the expected term.

Although more typical in later stage companies, the subject company may use both equity and debt instruments to finance their business activities. Per Section 6.36 of the AICPA Valuation of Privately-Held-Company Equity Securities Issued as Compensation, "[...] consideration should be given to the effect of the company's leverage." In order to account for the different capital structures across the subject company and its peer group, Carta Valuations LLC makes adjustments to the capital structure based on the Merton model and the equity volatility and asset volatility relationships listed below.

Under certain circumstances, applying an asset volatility and allocating enterprise value may have the effect of shifting value from the senior equity securities to the junior equity securities, as the liquidation preference for the senior securities is "sandwiched" between debt and the junior securities. When this sandwich effect occurs, Carta Valuations LLC deems it appropriate to apply an equity volatility instead of an asset volatility. When such circumstance does not exist, the most appropriate volatility to use when allocating value across all investments is the asset volatility.

$$EquityValue = AssetValue * N(d_1) - [Debt * e^{(-rT)} * N(d_2)]$$

$$EquityVolatility = \frac{AssetVolatility*(AssetValue*N(d_1))}{EquityValue}$$

- *Asset Value = total equity and debt value (S_0)*
- *Equity Value = total equity value only*
- *Debt = total value of debt claims outstanding (X)*
- *q = continuously compounded dividend yield*
- *t = probability weighted time to exit (years)*
- *σ = volatility*
- *r = risk-free rate*
- *N(.) = standard normal cumulative distribution function*

VALUATION ADJUSTMENTS

Discount for lack of marketability

When valuing closely-held (private) companies, valuators typically apply a discount for lack of marketability (DLOM) to the share price, to account for the fact that private company shares are not as liquid as their public comparable company counterparts. In other words, one should expect to pay less for a closely-held (private) share of stock than that same investor would pay for a publicly-traded, fully liquid security.

Discount for lack of marketability: "An amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability."[1]

Marketability: "The ability to quickly convert property to cash at minimal cost, with a high degree of certainty of realizing the anticipated amount of proceeds."[1,2]

What to consider

This valuation, in accordance with the parameters set forth in **Mandelbaum v. Commissioner**[3], takes into account the following:

- The value of the subject corporation's privately traded securities vis-a-vis its publicly traded securities (or, if the subject corporation does not have stock that is traded both publicly and privately, the cost of a similar corporation's public and private stock);
- an analysis of the subject corporation's financial statements;
- the corporation's dividend-paying capacity, its history of paying dividends, and the amount of its prior dividends;
- the nature of the corporation, its history, its position in the industry, and its economic outlook;
- the corporation's management;
- the degree of control transferred with the block of stock to be valued;
- any restriction on the transferability of the corporation's stock;
- the period of time for which an investor must hold the subject stock to realize a sufficient profit;
- the corporation's redemption policy;
- the cost of effectuating a public offering of the stock to be valued, e.g. legal, accounting, and underwriting fees.

Summary of approaches

In preparing this valuation, we considered number of different approaches to computing the proper Discount for Lack of Marketability, loosely categorizable into the following: **benchmark study approach** and **securities-based approaches.**

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[1]International Glossary of Business Valuation Terms, as adopted in 2001 by American Institute of Certified Public Accountants, American Society of Appraisers, Canadian Institute of Chartered Business Valuators, National Association of Certified Valuation Analysts, and The Institute of Business Appraisers.
[2]Shannon P. Pratt, Alina V. Niculita, Valuing a Business, The Analysis and Appraisal of Closely HeldBusinesses, 5th ed (New York: McGraw Hill, 2008), p.39.
[3]Mandelbaum v. Commissioner, T.C. Memo 1995-255, 36.
[4]Securities Act of 1933 (Section 230.144). Note: Because the holder of restricted common stock is prohibited from selling any of the stock for full year (1997-2008, thereafter holding period is six months) and has additional constraints on the amounts that may be sold for an additional year, the restricted stock is significantly less liquid (and therefore less valuable) than its unrestricted counterpart.

BENCHMARK STUDY APPROACH

This approach estimates the appropriate DLOM based on restricted stock studies, as well as pre-Initial Public Offering (IPO) pricing studies. This valuation considers the pre-IPO pricing studies a generally less-accurate indicator of private company DLOM for smaller, earlier-stage companies.

Restricted stock: unregistered common stock of a corporation identical in every respect to its publicly traded shares, except that it has not been registered, and is therefore, not freely tradable.[4]

We considered the following restricted stock studies because the effect of lack of marketability can be quantified by comparing the sale price of publicly traded shares to the sale price of so-called restricted shares of the same company that are identical in all rights and powers except for their ability to be freely marketed. Restricted stock studies are published, empirical studies, the most often cited of which are indicated below:

Empirical study	Time period covered	Mean DLOM
SEC overall average [a]	Jan 1966 - Jan 1969	25.8%
SEC non-reporting OTC companies [a]	Jan 1966 - Jan 1969	32.6%
Gelman [b]	Jan 1968 - Dec 1970	33.0%
Trout [c]	Jan 1968 - Dec 1972	33.5%
Moroney [d]	Jan 1969 - Dec 1972	35.6%
Maher [e]	Jan 1969 - Dec 1973	35.4%
Standard Research Consultants [f]	Oct 1978 - Jun 1982	45.0% (median)
Willamette Management Associates [g]	1981 - 1984	31.2% (median)
Silber [h]	Jan 1981 - Dec 1988	33.8%
FMV Opinions, Inc. [i]	Jan 1979 - Apr 1992	23.0%
Management Planning, Inc. [j]	Jan 1980 - Dec 1996	27.1%
Bruce Johnson Study [k]	Jan 1991 - Dec 1995	20.0%
Columbia Financial Advisors [l]	Jan 1996 - Apr 1997	21.0%
Columbia Financial Advisors [l]	May 1997 - Dec 1998	13.0%

[a] Discounts Involved in Purchases of Common Stock (1966-1969), Institutional Investor Study Report of the Securities and Exchange Commission, H.R. Do. No. 92-64, Part 5, 92nd Congress, 1st Session, 1971, 2444-2456
[b] Gelman, Milton, An Economist Financial Analyst's Approach to Valuing Stock of a Closely Held Company, Journal of Taxation, June 1972, 353-354.
[c] Trout, Robert R., Estimation of the Discount Associated with the Transfer of Restricted Securities, Taxes, June 1997, 381-384.
[d] Moroney, Robert E., Most Courts Overvalue Closely Held Stocks, Taxes, March 1980, 144-154.
[e] Maher, Michael J., Discounts for Lack-of-marketability for Closely Held Business Interests, Taxes, September 1976, 562-71.
[f] Pittock, William F., and Stryker, Charles H., Revenue Ruling 77-287 Revisited, SRC Quarterly Reports, Spring 1983
[g] Willamette Management Associates study (unpublished)
[h] Silber, William L., Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices, Financial Analysts Journal, July-August 1991, 60-64.
[i] Hall, Lance S., and Timothy C. Polacek, "Strategies for Obtaining the Largest Valuation Discounts," Estate Planning, January/February 1994, pp. 38-44.
[j] Oliver, Robert P. and Roy H Meyers, "Discounts Seen in Private Placements of Restricted Stock: The Management Planning, Inc., Long-Term Study (1980-1996)" (Chapter 5) in Robert F. Reilly and Robert P. Schweihs, eds, The Handbook of Advanced Business Valuations (New York: McGraw Hill, 2000).
[k] Johnson, Bruce, "Restricted Stock Discounts, 1991-95", Shannon Pratt's Business Valuation Update, Vol. 5, No. 3, March 1999, pp. 1-3. "Quantitative Support for Discounts for Lack of Marketability" Business Valuation Review, December, 1999, pp. 152-155
[l] CFAI Study, Aschwald, Kathryn F., "Restricted Stock Discounts Decline as Result of 1-Year Holding Period - Studies After 1990 'No Longer Relevant' for Lack of Marketability Discounts", SHANNON PRATT'S BUSINESS VALUATION UPDATE, Vol. 6, No. 5, May 2000, pp. 1-5

SECURITIES-BASED APPROACHES

Securities-based approaches to computing Discount for Lack of Marketability rely on firmly-established stock option pricing theory. In compiling this valuation, we considered three distinct stock option pricing models - **The Longstaff Approach, The Chaffe Approach**, and **The Finnerty Approach.**

The Longstaff Approach[5]

$$Discount = \left(2 + \frac{\sigma^2 T}{2}\right) N\left(\frac{\sqrt{\sigma^2 T}}{2}\right) + \sqrt{\frac{\sigma^2 T}{2\pi}} \exp\left(-\frac{\sigma^2 T}{8}\right) - 1$$

T = time to exit

σ = volatility

N(.) = Standard normal cumulative distribution function

REPRESENTATIVE DLOMS

Time to exit	Volatility:	25.00%	50.00%	75.00%	100.00%	125.00%
1 year		21.6%	46.6%	75.3%	108.1%	145.2%
2 years		31.5%	70.1%	116.7%	172.0%	236.9%
3 years		39.5%	90.0%	153.0%	229.9%	321.9%
4 years		46.6%	108.1%	186.8%	284.9%	404.0%
5 years		53.0%	125.0%	219.3%	338.4%	484.7%

The Longstaff model outputs DLOMs in excess of 100% at very low volatilities, and as such is generally considered an inaccurate overestimation of a proper DLOM. Thus, the Longstaff model should only be used as a guideline, but in most cases should not be used as the sole method to calculate a given DLOM.

[5] Longstaff, Francis A., "How Much Can Marketability Affect Security Values?", The Journal of Finance, Vol. L, No. 5 (1995), pp.1767-1774.

The Chaffe approach[6]

$$P = Xe^{-rt} * \mathcal{N}(-d_2) - S_0 e^{-qt} * \mathcal{N}(-d_1)$$

S_0 = total equity value
X = equity breakpoint value
q = continuously compounded dividend yield
t = time to expiration (% of year)
σ = volatility
r = risk-free rate
N(.) = standard normal cumulative distribution function

REPRESENTATIVE DLOMS

Time to exit	Volatility:	25.00%	50.00%	75.00%	100.00%	125.00%
1 years		9.25%	18.97%	27.48%	37.40%	45.86%
2 years		12.61%	26.01%	37.41%	50.11%	60.25%
3 years		14.97%	30.98%	44.20%	58.28%	68.81%
4 years		16.81%	34.84%	49.30%	64.02%	74.35%
5 years		18.32%	37.97%	53.50%	68.20%	78.00%

[6] David B.H. Chaffe III, "Option Pricing as a Proxy for Discount for Lack of Marketability in Private Company Valuations," Business Valuation Review (December 1993): 182–6. (Model corrected and updated in 2009; the Carta Valuations LLC uses the corrected, updated model)

The Finnerty approach[7]

$$D(T) = V_0 e^{-qT}[\mathcal{N}(v\sqrt{T}/2) - \mathcal{N}(-v\sqrt{T}/2)] v\sqrt{T} = \sqrt{\sigma^2 T + \ln[2(e^{\sigma^2 T} - \sigma^2 T - 1)] - 2\ln(e^{\sigma^2 T} - 1)}$$

D(T) = Discount for Lack of Marketability

V_0 = The value of the share of common stock without transfer restrictions

q = Continuously compounded dividend yield

t = Time to expiration (% of year)

σ = Volatility

r = Risk-free rate

e = The mathematical constant = 2.71828...

N(.) = standard normal cumulative distribution function

REPRESENTATIVE DLOMS

Time to exit	Volatility:	25.00%	50.00%	75.00%	100.00%	125.00%
1 year		5.72%	11.24%	16.34%	20.85%	24.62%
2 years		8.04%	15.50%	21.84%	26.63%	29.74%
3 years		9.79%	18.52%	25.26%	29.50%	31.49%
4 years		11.24%	20.85%	27.54%	30.95%	32.05%
5 years		12.49%	22.73%	29.10%	31.66%	32.22%

Note: The Finnerty model has a mathematical asymptote at approximately 32%. Thus, for companies at higher volatilities, this model may understate the proper DLOM. [7] *John D. Finnerty, "The Impact of Transfer Restrictions on Stock Prices." Analysis Group/ Economics (October 2002).*

The Differential Put Approach

The Differential Put Approach is an option pricing model method that quantitatively approximates a discount for lack of marketability of common stock in a company where a precedent transaction, typically a preferred stock financing round, is used as an indication of fair value.

When applying the backsolve methodology to determine the value of common stock based on the price paid in the most recent preferred financing round, the resulting value of common stock already incorporates an implied discount for lack of marketability that is reflected in the price of the most recent preferred stock transaction. Therefore, according to the differential put approach, the appropriate discount for lack of marketability for the common stock is the incremental discount between the common stock and most recently transacted preferred share class.

The Chaffe or the Finnerty put models are applied to the share class volatilities to determine the specific discount for each share class.

$$D(T) = V_0 e^{-qT}\left(N(v\sqrt{T}/2) - N(-v\sqrt{T}/2)\right)$$

$$v\sqrt{T} = \sqrt{\sigma^2 T + \ln\left(2\left(e^{\sigma^2 T}\right)\right) - 2\ln\left(e^{\sigma^2 T} - 1\right)}$$

$$\text{DLOM}_{\text{incremental}} = 1 - (1 - \text{DLOM}_{\text{common}})/(1 - \text{DLOM}_{\text{preferred}})$$

$$\sigma_{\text{class}} = \sigma_{\text{equity}} * \text{Equity Value} * N(d_1) / \text{Class Value}$$

$$N(d_1)_{\text{class}} = \sum (N(d_1)_{\text{incremental}} * \text{Incremental Allocation})$$

$$p = Xe^{-rt}N(-d_2) - S_0 N(-d_1)$$

S_0 = total equity value

X = equity breakpoint value

t = Time to expiration (% of year)

σ = Volatility

r = Risk-free rate

e = The mathematical constant = 2.71828...

$N(.)$ = standard normal cumulative distribution function

LOOT CRATE PARENT, INC.
Telephonic Meeting of the Board of Directors
May 24, 2018

A telephonic meeting of the Board of Directors (the "Board") of Loot Crate Parent, Inc., a Delaware corporation (the "Company") was held on the above date at 9:45 a.m. PST following notice duly given to all of the directors. Present were the following directors: Chris Davis, Alex Zyngier and Osman Khan. Also present were Matthew Arevalo, David Chang, David Sams, Linda Menzel and Mary Provenzano of the Company, Mark Palmer of Theseus Strategy, Andrew Schoulder of Bryan Cave, special counsel to the Company, Dana Kibler of Upfront Ventures, Bruce Gersh of Meredith and Aamir Amdani of Breakwater Credit Opportunities Funds ("Breakwater"). All participants could speak and hear one another.

Mr. Davis, presiding as Chairman of the meeting, called the meeting to order and reviewed the agenda for the meeting. Ms. Michaelson acted as Secretary of the meeting.

Review of Financials and Finance Matters

Mr. Davis reviewed the April financial results with the Board. Mr. Chang explained the shortfall in revenue, the reasons that gross margin exceeded plan and the resulting adjusted EBITDA.

Mr. Davis also commented on the 2018 revised operating plan, and the impact of the lack of marketing spend on the business.

Mr. Davis then discussed the positive impact of the program the Company has undergone to meet with vendors and reschedule payment of accounts payable. Mr. Palmer provided details regarding the efforts taken to create a stable plan for the repayment of accounts payable, which has reduced the Company's immediate liquidity needs. Ms. Kibler requested clarification and discussion ensued, including with respect to the Company's assumptions.

Review of Operational and Business Initiatives

Mr. Davis and Mr. Palmer discussed with the Board the hiring of McKinsey & Company to conduct an analysis and make recommendations to the Company with respect to procurement and the supply chain. They discussed with the Board the recommendations made by McKinsey and next steps. Ms. Menzel commented regarding product categories. Board discussion ensued regarding timing and cost.

Mr. Davis also discussed a new business revenue sharing initiative with Amazon and an initiative with Walmart to relaunch a collectibles section. Questions were asked and discussion ensued about the terms of the discussions with Amazon and Walmart, among others.

Review of Employment Matters

Mr. Davis discussed the hiring of an interim CMO, a VP of Marketing [and a director of finance]. Mr. Davis also informed the Board that the Company is interviewing to fill the CFO position, which will be vacant as of June 1. Mr. Davis also updated the Board with respect to other open positions and hiring needs. The Board discussed the importance of filling the CFO position, and management commented about the need to retain certain employees.

Appointment of Director

In furtherance of the Forbearance Agreement (defined below), Mr. Zyngier moved to adopt the following resolutions and Mr. Khan and Mr. Davis voted in favor as set forth below.

WHEREAS, Loot Crate Holdings, Inc. ("Holdings"), an indirect subsidiary of Loot Crate Parent, Inc. (the "Company"), and Loot Crate, Inc. ("Loot Crate"), a wholly owned subsidiary of Holdings have entered into that certain Forbearance Agreement #2 and Waiver to Loan and Security Agreement (the "Forbearance Agreement"), dated May 8, 2018, by and among Breakwater Credit Opportunities Fund, L.P., a Delaware limited partnership ("Breakwater"), Loot Crate, Holdings, and the Lenders (as defined in the Forbearance Agreement) party thereto;

WHEREAS, pursuant to the Forbearance Agreement, the Company has entered into that certain Amendment to Voting Agreement (the "Amendment"), which provides for, among other things, a member of the Board of Directors of the Company (the "Board") to be designated by Breakwater until such time as the Obligations (as defined in that certain Loan and Security Agreement, dated as of June 1, 2016, by and among Breakwater, Loot Crate, and the lenders party thereto) are satisfied in full;

WHEREAS, pursuant to the Amendment, there now exists a vacancy on the Board due to the vacancy in the Board position to be designated by Breakwater;

WHEREAS, pursuant to Section 2.3 of the Bylaws of the Company, subject to the rights of holders of any series of Preferred Stock then outstanding, any vacancies in the Board resulting from newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board resulting from death, resignation, retirement, disqualification or other cause (other than removal from office by a vote of the stockholders) may be filled only by a majority vote of the directors then in office; and

WHEREAS, pursuant to Section 2.2(d) of the Voting Agreement, as amended by the Amendment, Breakwater has designated Saif Mansour to serve as a director on the Board.

NOW, THEREFORE, BE IT RESOLVED, that in furtherance of Section 2.2(d) of the Voting Agreement, as amended, that Saif Mansour is hereby appointed as a director to the Board of the Company.

Approval of 409A Valuation

The Board discussed the approval of the 409A valuation that was prepared, but postponed approval pending further review.

Adjournment

There being no further business to come before the meeting, the meeting was adjourned at approximately 11:15 a.m.

Respectfully submitted,

Linda Michaelson, Secretary of the Meeting

LOOT CRATE PARENT, INC.

Telephonic Meeting of the Board of Directors

June 13, 2018

A telephonic meeting of the Board of Directors (the "Board") of Loot Crate Parent, Inc., a Delaware corporation (the "Company") was held on the above date at 9:30 a.m. PST following notice duly given to all of the directors. Present were the following directors: Chris Davis, Alex Zyngier and Osman Khan. Also present were David Chang, David Sams, Linda Menzel of the Company, Geoff Arens of Theseus Strategy, Michael Carney of Upfront Ventures, Bruce Gersh of Meredith and Saif Mansour of Breakwater Credit Opportunities Funds. All participants could speak and hear one another.

Mr. Davis, presiding as Chairman of the meeting, called the meeting to order and reviewed the agenda for the meeting. Ms. Michaelson acted as Secretary of the meeting.

Financial Update

Mr. Davis briefly updated the Board that the Company continued to work on a term sheet with a new senior lender and a couple of bridge financing options. He also commented that the Company continued its work on vendor rescheduling and other matters as discussed last month.

Mr. Davis stated that the purpose of the call was to present an overview of the May financials as shared with the Board.

Mr. Sams discussed May preliminary results, including that top line revenue was favorable as compared to the current plan, in part due to higher than expected revenue from liquidation transactions. As a result, Mr. Sams explained the impact on gross margin. Mr. Chang discussed May operating expenses as compared to forecast and EBITDA. Mr. Zyngier requested the presentation next month include a comparison against the budget. Mr. Mansour asked questions regarding subscription trends and inventory and discussion ensued.

Operational Update

Mr. Davis discussed the Company's progress in managing timely deliveries. Mr. Davis also reviewed with the Board an update on the Company's sales and marketing team ramp up.

Adjournment

There being no further business to come before the meeting, the meeting was adjourned at approximately 9:45 a.m.

Respectfully submitted,

Linda Michaelson

LOOT CRATE

SUMMARY OF TERMS

This letter (this "***Letter***") summarizes certain key proposed terms and conditions of the issuance of unsecured Convertible Promissory Notes by Loot Crate Parent, Inc. to South River Capital LLC. This Letter is intended solely as a basis for further discussions and is not intended to be, and does not constitute, a legally binding offer or obligation.

If this Letter is satisfactory to you, please indicate your acceptance by signing and dating the original copy and returning it to the undersigned.

Issuer:	Loot Crate Parent, Inc. (the "***Issuer***"), the parent company of Loot Crate, Inc. (the "***Operating Company***").
Investor:	South River Capital LLC, its affiliates or assignees (collectively, the "***Investor***").
Security:	Unsecured Convertible Note(s) (each, a "***Note***" and collectively, the "***Notes***").
Principal Amount; Minimum Close:	Up to $6,700,000 in aggregate (the "***Aggregate Principal Amount***"). The Investor may elect to close with an initial minimum tranche of $3,180,000 (such amount, the "***Minimum Tranche***" and the corresponding Note, the "***Initial Investor Notes***"), with subsequent issuances during the 60-day period (the "***Subsequent Investment Period***") following the initial Closing Date (as defined below). During the Subsequent Investment Period, the Investor, at its discretion, may purchase additional Notes and increase its total investment up to $3,680,000 of the Aggregate Principal Amount. Any such incremental investment shall be added to the principal of the Initial Investor Notes. If there are any material changes to funding terms after the Minimum Tranche, the Investor will receive "most favored nations" treatment. Any Notes purchased at the initial Closing Date or during the Subsequent Investment Period pursuant to existing pre-emptive rights, rights of first refusal or rights of first offer, which Notes will be *pari passu* with the Initial Investor Notes (the "***Current Investor Notes***"). For Notes issued to third parties other than the Investor during the Subsequent Investment Period (i) on or prior to the fourteenth (14th) calendar day from the initial Closing Date, such Notes will be *pari passu* with the Initial Investor Notes (such Notes, together with the Initial Investor Notes and the Current Investor Notes, the "***Senior Notes***"), and (ii) thereafter, shall be subordinate in payment to the Senior Notes. The initial "Closing Date" is expected to occur on or about June 29, 2018, provided Issuer has satisfied all conditions to closing.
Facility Fee:	For the Minimum Tranche, the Issuer shall pay to the Investor $15,000 per month, payable on the first day of each month.
Structuring Fee:	Issuer agrees to pay the Investor a Structuring Fee in the amount of $180,000, which will be fully earned upon the initial Closing Date of the Initial Investor Notes and nonrefundable when paid. The Structuring Fee can be paid using proceeds of the Initial Investor Notes issued on the initial Closing Date.
Maturity Date; Sale of Issuer:	The initial targeted redemption date is on July 31, 2019, which may be earlier redeemed following a conversion to equity in which the holder does not convert as described below; *provided*, that either such redemptions must be previously approved by the lender under the Senior Credit Facility (as defined below). In any event the Notes will have a final maturity date of December 15, 2020 (the

	"***Maturity Date***"). The Notes shall also be due and payable upon the occurrence of (x) a consolidation or merger of the Issuer or the Operating Company with or into any other entity, or any other reorganization or transaction, in which the shareholders of the Issuer immediately prior to such transaction directly or indirectly own less than 50% of either of the voting power or capital stock of the applicable surviving entity immediately after such transaction (except for customary intercompany reorganizations or recapitalizations), or (y) a sale or other disposition by the Issuer or the Operating Company of all or substantially all of its or their respective assets (a "***Sale of the Issuer***").
Prepayment; Make-Whole:	Make whole payable if redeemed on or prior to July 31, 2019 at a T+50 spread to the applicable treasury rate on the date of redemption with maturity that most closely corresponds to the period from the date of redemption to July 31, 2019. Thereafter redeemable at 110% of the principal amount outstanding plus accrued and unpaid interest, charges and fees through 2019 and 104% through 2020. The make whole shall be payable in the event of a Sale of the Issuer.
Interest:	Annualized interest of 30.00% will accrue and compound monthly at a rate of 2.50% per month.
Conversion to Equity:	The Notes shall be convertible, at the then actual accreted value, as follows: In the event the Issuer sells any securities in any offering or series of offerings to raise equity or equity-linked capital of the Issuer in an amount equal to or greater than the total amount of the Notes then outstanding, the fully accrued amount then due on the Notes shall be convertible into that next offering at the price of that offering. Said conversion shall be at the option of the holder of the Notes. To the extent that any holder of the Notes elects not to convert, then the Company shall have a one-time option to redeem such holder's Notes in whole at the then fully-accreted value, payable in cash. If not so converted or so redeemed, such Notes shall remain outstanding in accordance with their terms until the Maturity Date.
Warrant Coverage:	Purchasers of Notes other than the Investor will receive warrant coverage as follows: • 0.5% of Common Stock of the Issuer for each $1,000,000 in principal amount of the Notes • Prorated for issuances less than $1,000,000 • Share number to be fixed and based on fully diluted shares at closing • Exercise at $0.01 per share, for a Term of 7-years
Minimum Return Note:	As consideration for the Minimum Tranche, the Investor will receive a note (the "***Minimum Return Note***") providing for the payment, upon any Sale of the Issuer, equal to at least three (3) times the invested capital of the Investor as of the effective date of any Sale of the Issuer, after accounting for all sums paid or payable under the Initial Investor Note, including, but not limited to, interest, Prepayment; Make-Whole premium, the Facility Fee and Structuring Fee.
Covenants:	Customary for issuances of similar size and nature, including: (a) customary restrictions on the issuance of indebtedness for money borrowed (subject to permitted indebtedness exceptions and baskets, including the existing credit facility of Loot Crate, Inc., as amended and restated or refinanced (the "***Senior Credit Facility***") and subject to a total senior debt for borrowed money limit, including the Senior Credit Facility, of up to $32,500,000 without

	the Investor's prior written consent); *provided*, however, that all such debt shall be at arms-length and on market terms and all lenders shall be unaffiliated third parties; *provided further*, that the Issuer shall promptly deliver to the Investor copies of all documents evidencing or securing any such senior debt (or any modification or amendments thereto); (b) restrictions on the grant of liens and security interests (subject to permitted indebtedness exceptions and baskets, including the liens and security interests granted in respect of the Senior Credit Facility); and (c) restrictions on issuances of equity interests in any subsidiaries (subject to specified joint venture exceptions).
Representations and Warranties:	Customary.
Events of Default:	Customary, with cross-default and cross-acceleration to Senior Credit Facility. The remedies under the Note shall include confession of judgment. Any such cross-default, cross-acceleration, and confession of judgment rights shall be subject the standstill and other terms of an intercreditor agreement with the existing or future senior lender under the Senior Credit Facility.
Subordination:	Customary subordination terms vis-a-vis the Senior Credit Facility, which will be documented in an intercreditor agreement with the existing or future senior lender.
Information:	Periodic reporting on performance against the rolling budget and forecast. Customary information rights.
Initial Conditions:	Issuance of the Notes shall be conditioned upon satisfaction of, among other things, the following conditions precedent (the date upon which all such conditions precedent shall be satisfied, the "***Closing Date***"): (a) The Issuer shall have executed and delivered satisfactory definitive documentation with respect to the Notes, the Warrants (if applicable), and the Minimum Return Note mutually satisfactory to the Issuer and the Investor. (b) The Issuer shall have provided an executed and delivered extension until at least March 31, 2019 of the current Forbearance Agreement under the Senior Credit Agreement as has been discussed and on mutually satisfactory terms to the Issuer and the Investor. (c) All governmental and third-party approvals necessary in connection with the financing contemplated hereby and the continuing operations of the Issuer and its subsidiaries (including shareholder approvals, if any) shall have been obtained on satisfactory terms and shall be in full force and effect. (d) The Investor shall have received such due diligence materials and closing documents as are customary for transactions of this type or as it may reasonably request, including but not limited to financial statements, subscription agreement, good standing certificates, incumbency certificates and organizational documents/resolutions, opinion of counsel, closing certificates, evidence of insurance, licenses and permits, and record searches, all in form and substance reasonably acceptable to the Investor. (e) All legal (including tax implications) and regulatory matters shall be satisfactory to the Investor.
Transferability:	The Investor, at any time and from time to time, may sell or assign, or grant participation interest in, any of its rights under the Notes or the Minimum Return Note. The Issuer grants the Investor its consent to the disclosure to any

	prospective purchaser or participant of any information in connection with any such sale, assignment or participation.
Expenses and Deposit:	The Issue agrees to pay for all commercially reasonable third-party transaction-related costs and expenses, including any reasonable legal fees incurred by the Investor. The Issuer shall provide the Investor with a deposit in the amount of $35,000 upon the full execution of this Letter by the Issuer and Investor, and an additional $15,000 within seven (7) calendar days of such execution, which aggregate amounts will be credited against any such transaction related costs at closing The deposit shall be nonrefundable to the Issuer except in the event that the Investor acts in bad faith.
Governing Law and Jurisdiction:	Delaware
Non-Binding:	Nothing herein is intended to, or shall, create any rights in favor of either party and nothing herein (other than the provision entitled "Expenses and Deposit") is intended to, or shall, be legally binding. A legally binding obligation regarding the financing will arise only upon the execution of a mutually acceptable definitive loan documentation.

[SIGNATURES ON FOLLOWING PAGE]

Agreed and Accepted this 18th day of June, 2018.

ISSUER:

LOOT CRATE PARENT, INC.

By: ______________________
Name: Christopher Davis
Title: CEO

INVESTOR:

SOUTH RIVER CAPITAL, LLC

By: ______________________
Name: James Plack
Title: CEO

The undersigned joins in the execution of this Letter to acknowledge and consent to the same.

OPERATING COMPANY:

LOOT CRATE, INC.

By: ______________________
Name: Christopher Davis
Title: CEO